



CDL HOSPITALITY TRUSTS



CDL HOSPITALITY TRUSTS
ANNUAL REPORT 2018

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8

COUNTRIES

19

PROPERTIES

5,088

ROOMS



CDL Hospitality Trusts ("**CDLHT**") is one of Asia's leading hospitality trusts with assets valued at S\$2.8 billion as at 31 December 2018. It owns 19 properties, comprising 16 hotels in Singapore, Australia, New Zealand, Japan, United Kingdom, Germany and Italy; two resorts in Maldives; and a retail mall in Singapore. The substantial value of its assets are situated in central locations within Singapore. All the hotels are well located within key cities while the two resorts are located in Maldives, a top-tier destination for luxury tourism.

The properties comprise a total of 5,088 rooms and are operated by master lessees and hotel managers, which include reputable and/or international hotel groups such as Millennium Hotels and Resorts, AccorHotels, Hotel MyStays, Hilton Hotels and Resorts, Banyan Tree Hotels & Resorts and EVENT Hotels.

CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("**H-REIT**"), the first hotel real estate investment trust in Singapore, and CDL Hospitality Business Trust ("**HB**T"), a business trust. CDLHT was listed on the Main Board of Singapore Exchange Securities Trading Limited on 19 July 2006 and has a market capitalisation of approximately S\$1.8 billion as at 31 December 2018.

OVERVIEW AND FINANCIAL REVIEW



New Grand Ballroom, Orchard Hotel (Rendering)

OVERVIEW OF CDL HOSPITALITY TRUSTS

ABOUT CDLHT

CDLHT, a stapled group comprising H-REIT and HBT, was established with the principal investment strategy of investing in a portfolio of hospitality and/or hospitality-related real estate assets globally.

CDLHT owns 19 properties, valued at S\$2.8 billion as at 31 December 2018, with a total of 5,088 hotel rooms, comprising six hotels and a retail mall in Singapore, three hotels in Australia, one hotel in New Zealand, two hotels in Japan, two hotels in United Kingdom, one hotel in Germany, one hotel in Italy and two resorts in Maldives.

	No. of Keys
SINGAPORE	2,718
Hotels ("Singapore Hotels")	
Orchard Hotel	656
Grand Copthorne Waterfront Hotel	574
M Hotel	415
Copthorne King's Hotel	310
Studio M Hotel	360
Novotel Singapore Clarke Quay	403
Retail Mall	
Claymore Connect	N.A.
NEW ZEALAND ("NZ Hotel")	452
Grand Millennium Auckland	452
AUSTRALIA ("Australia Hotels")	727
Novotel Brisbane	296
Mercure Perth	239
Ibis Perth	192
MALDIVES ("Maldives Resorts")	150
Angsana Velavaru	113
Raffles Maldives Meradhoo (previously known as Dhevanafushi Maldives Luxury Resort, managed by AccorHotels ("Dhevanafushi Maldives Luxury Resort" or "DMLR"))	

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	No. of Keys
JAPAN ("Japan Hotels")	255
Hotel MyStays Asakusabashi	139
Hotel MyStays Kamata	116
UNITED KINGDOM ("UK Hotels")	363
Hilton Cambridge City Centre	198
The Lowry Hotel	165
GERMANY ("Germany Hotel")	337
Pullman Hotel Munich	337
ITALY ("Hotel Cerretani Florence" or "Italy Hotel")	86
Hotel Cerretani Florence, MGallery by Sofitel	86
TOTAL	5,088

In November 2018, CDLHT marked its maiden entry into Italy with the acquisition of the 86-room Hotel Cerretani Florence, MGallery by Sofitel ("**Hotel Cerretani Florence**" or the "**Italy Hotel**"). The property is a recently refurbished 4-star hotel located in the heart of the historic city of Florence.

CDLHT's portfolio of quality hotels in Singapore, Australia and New Zealand are strategically located in or near the central business districts in key cities and largely marketed as "superior" or 5-star hotels. CDLHT's only retail mall, Claymore Connect, is located in the main shopping belt of Singapore. The Japan Hotels are known as business hotels in the local context and are located within close proximity to major transportation networks and tourist attractions in Tokyo. Hilton Cambridge City Centre, an upper upscale hotel, and The Lowry Hotel, a 5-star luxury hotel, are situated in prime locations in the heart of the city centre and within the vicinity of popular tourists' attractions of Cambridge and Manchester respectively. Pullman Hotel Munich, an upper upscale hotel, is located in close proximity to a major

business park in Munich. CDLHT's luxurious resorts in the Maldives, a top-tier premium destination with the exclusive "one-island-one-resort" concept, offers guests with two distinct experiences with the beachfront and water villas within one resort.

All the properties, with the exception of Claymore Connect, Raffles Maldives Meradhoo, the Japan Hotels and the UK Hotels, are leased to external master lessees by H-REIT. Claymore Connect is leased directly to retail tenants by H-REIT. Raffles Maldives Meradhoo, the Japan Hotels and Hilton Cambridge City Centre are managed by hotel management companies. HBT is the asset owner of The Lowry Hotel and is currently responsible for the hotel's operations and management.

H-REIT'S STRATEGY

The principal investment strategy of H-REIT is to invest in a diversified portfolio of income-producing real estate, which is primarily used for hospitality and/or hospitality-related purposes. Such investments may be by way of direct acquisition and ownership of properties by H-REIT or may be effected indirectly through the acquisition and ownership of companies or other legal entities, which primary purpose is to hold or own real estate and real estate-related assets which are used for hospitality and hospitality-related purposes.

Generally, investments will be made where such investments are considered to be value-enhancing, yield-accretive or have potential for capital appreciation, and feasible in the light of regulatory, commercial, political and other relevant considerations.

The objectives of M&C REIT Management Limited, as manager of H-REIT (the "**H-REIT Manager**"), are to maximise the rate of return for the holders of H-REIT units and to make regular distributions. The H-REIT Manager plans to achieve these objectives through the following strategies:

ACQUISITION GROWTH STRATEGY

In evaluating new acquisition opportunities, the H-REIT Manager will consider the need for the diversification of the portfolio by geography and asset profile. Potential sources of acquisitions are likely to arise from:

- H-REIT's relationship with Millennium & Copthorne Hotels plc ("**M&C**"), an international hotel owner and operator listed on the London Stock Exchange with a market capitalisation of approximately £1.5 billion as at 1 March 2019. H-REIT will be able to leverage on M&C's experience, market reach and network of contacts in the global hotel and hospitality sector for its acquisitions. In addition, H-REIT can seek partnership and co-operation opportunities with M&C as it expands globally.
- Opportunities arising from divestment of assets by hospitality service providers who are increasingly looking to free up capital for business expansion or investment funds that have a finite period to dispose of acquired assets.
- Opportunities arising from divestment of assets by owners or developers.

- Opportunities to acquire under-performing assets with turnaround potential by implementing value-added strategies such as re-flagging, management change and asset enhancements.

CAPITAL AND RISK MANAGEMENT STRATEGY

The H-REIT Manager intends to use a combination of debt and/or equity to fund future acquisitions and property enhancements such that it is within the Aggregate Leverage limit set out in the Property Funds Appendix.

The objectives of the H-REIT Manager in relation to capital and risk management are to:

- maintain a strong balance sheet and remain within the Aggregate Leverage limit set out in the Property Funds Appendix;
- minimise the cost of debt financing;
- secure diversified funding sources from both financial institutions and capital markets as H-REIT grows in size and scale; and
- manage the exposure arising from adverse market movements in interest rates and foreign exchange through appropriate hedging strategies.

ACTIVE ASSET MANAGEMENT

The H-REIT Manager actively engages its master lessees, leveraging on H-REIT's economies of scale and its relationship with M&C, which has extensive experience in the hospitality industry, to maximise the operating performance and cash flow of the assets. In addition, it seeks to implement various asset enhancement initiatives to improve the assets' value and competitiveness.

HBT'S STRATEGY

M&C Business Trust Management Limited, as trustee-manager of HBT (the "**HBT Trustee-Manager**"), first activated HBT at the end of 2013.

HBT may act as the master lessee(s) of H-REIT's hotels if any of the following occurs:

- It is appointed by H-REIT, in the absence of any other master lessee(s) being appointed, as a master lessee of one of the hotel assets in H-REIT's portfolio at the expiry of the lease term. The intention is for HBT to appoint professional hotel managers to manage these hotels.
- H-REIT acquires hotels in the future, and, if there are no other suitable master lessees, H-REIT will lease these acquired hotels to HBT. HBT will then become a master lessee for these hotels and will appoint professional hotel managers to manage these hotels.

HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments, which may not be suitable for H-REIT.

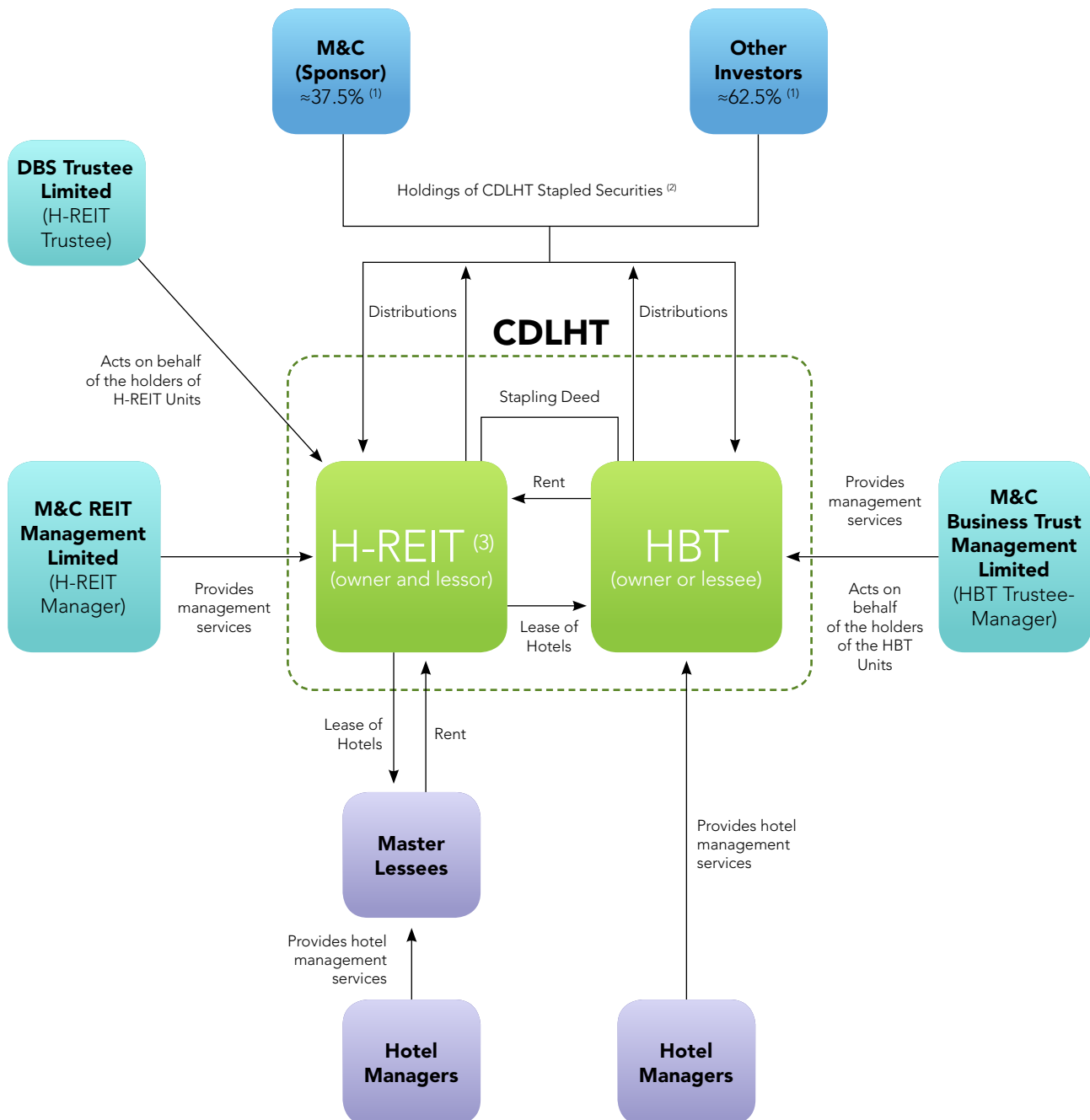
The HBT Group currently acts as the master lessees for three of the properties in H-REIT's portfolio, namely Raffles Maldives Meradhoo, Hotel MyStays Asakusabashi and Hotel MyStays Kamata, and is the asset owner of Hilton Cambridge City Centre, and appoints professional hotel managers to manage these properties. It is also the asset owner and operator of The Lowry Hotel.

OVERVIEW AND FINANCIAL REVIEW

STAPLED STRUCTURE OF CDLHT

STAPLED STRUCTURE

CDLHT is a stapled group comprising H-REIT, a real estate investment trust, and HBT, a business trust. CDLHT currently owns 19 properties across eight countries.



(1) Holdings of Stapled Securities as at 1 March 2019

(2) CDLHT comprises stapled units of H-REIT and HBT ("Stapled Securities") with each Stapled Security consisting of a unit in H-REIT and a unit in HBT

(3) For simplicity, the diagram does not include the relationships in relation to Claymore Connect. The H-REIT Manager asset-manages Claymore Connect and the tenants of the retail units at Claymore Connect make rental payments to H-REIT under the terms of their respective leases

GLOBAL REACH OF SPONSOR, M&C

CDLHT stands to benefit from the Sponsor's financial strength, experience, market reach and network of contacts in the global hotel and hospitality industry. The Sponsor owns and/or operates a portfolio of over 120 hotels worldwide.



NORTH AMERICA

Anchorage
Avon
Boston
Boulder
Buffalo
Chagrin Falls
Chicago
Cincinnati
Durham
Kissimmee
Los Angeles
Minneapolis
Nashville
New York
Scottsdale

EUROPE

Georgia
Tbilisi
France
Paris
Italy
Rome
United Kingdom
Aberdeen
Birmingham
Cardiff
Dudley
Gatwick
Glasgow
Liverpool
London
Manchester
Newcastle
Plymouth
Reading
Sheffield
Slough-Windsor
Turkey
Istanbul

MIDDLE EAST

United Arab Emirates (UAE)
Abu Dhabi
Dubai
Sharjah
Qatar
Doha
Kuwait
Al Kuwait
Al Jahra
Al Salmiya
Iraq
Sulaymaniyah
Oman
Muscat
Mussanah
Salalah
Jordan
Amman
Saudi Arabia
Hail
Madinah
Riyadh
Makkah
Palestine
Ramallah

CHINA & TAIWAN

China
Beijing
Chengdu
Fuqing
Hangzhou
Shanghai
Wenjiang
Wuxi
Xiamen
Taiwan
Taichung
Taipei
Hong Kong

REST OF ASIA

Singapore
Indonesia
Jakarta
Malaysia
Cameron Highlands
Kuala Lumpur
Penang
Thailand
Phuket
Philippines
Manila
Japan
Tokyo
South Korea
Seoul

NEW ZEALAND

Auckland
Bay of Islands
Dunedin
Greymouth
Hokianga
Masterton
New Plymouth
Palmerston North
Queenstown
Rotorua
Taupo
Te Anau
Wanganui
Wellington

OVERVIEW AND FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

STATEMENT OF TOTAL RETURN

	FY 2018 S\$'000	FY 2017 S\$'000	Variance
Net property income	146,054	151,760	-3.8%
Net income before fair value adjustment	88,562	88,155	+0.5%
Total distribution (before retention for working capital)	122,563	121,971	+0.5%
Total distribution (after retention for working capital)	111,603 ⁽¹⁾	110,346	+1.1%

BALANCE SHEET

Prudent capital management has resulted in a strong and flexible balance sheet for CDLHT. As at 31 December 2018, CDLHT's exposure to derivatives ⁽²⁾ represents a negligible percentage of its net assets and market capitalisation.

	As at 31 Dec 2018 S\$'000	As at 31 Dec 2017 S\$'000	Variance
Investment properties ⁽³⁾	2,428,921	2,331,433 ⁽⁴⁾	+4.2%
Property, plant and equipment	348,183	332,666	+4.7%
Non-current assets	2,788,672	2,671,252	+4.4%
Total assets	2,962,167	2,862,155 ⁽⁴⁾	+3.5%
Borrowings ⁽⁵⁾	1,014,414	933,730	+8.6%
Net assets	1,855,322	1,845,263	+0.5%

KEY FINANCIAL INDICATORS ⁽⁶⁾

	As at 31 Dec 2018	As at 31 Dec 2017	Variance
Gearing	34.2%	32.6%	+1.6pp
Weighted average cost of debt	2.4%	2.1%	+0.3pp
Weighted average debt to maturity (years)	2.8	2.6	+0.3
Interest coverage ratio	7.1x	7.3x	-0.2x
Net asset value per unit ⁽⁷⁾	S\$1.53	S\$1.53	-0.2%

(1) The undistributed income of S\$10,960,000 retained for working capital comprised solely of tax exempt income

(2) The fair value of the derivatives as at 31 December 2018 is disclosed under Note 10 on page 187 of the Annual Report

(3) All properties, excluding Dhevanafushi Maldives Luxury Resort, the Japan Hotels and the UK Hotels, are accounted for as Investment Properties

(4) Mercure Brisbane and Ibis Brisbane were reclassified to assets held for sale as at 31 December 2017 in accordance with the divestment of these two properties, which was announced on 22 December 2017 and completed on 11 January 2018. Total assets include assets held for sale

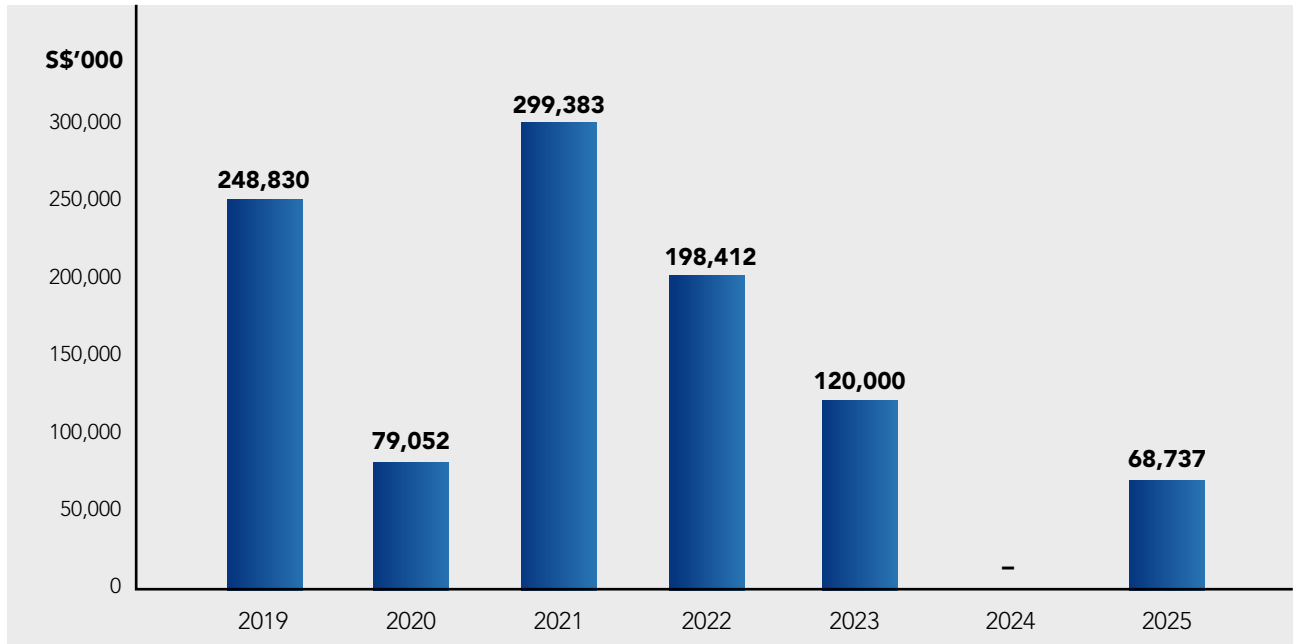
(5) The borrowings are presented before the deduction of unamortised transaction costs

(6) Numbers and percentages may not add up due to rounding

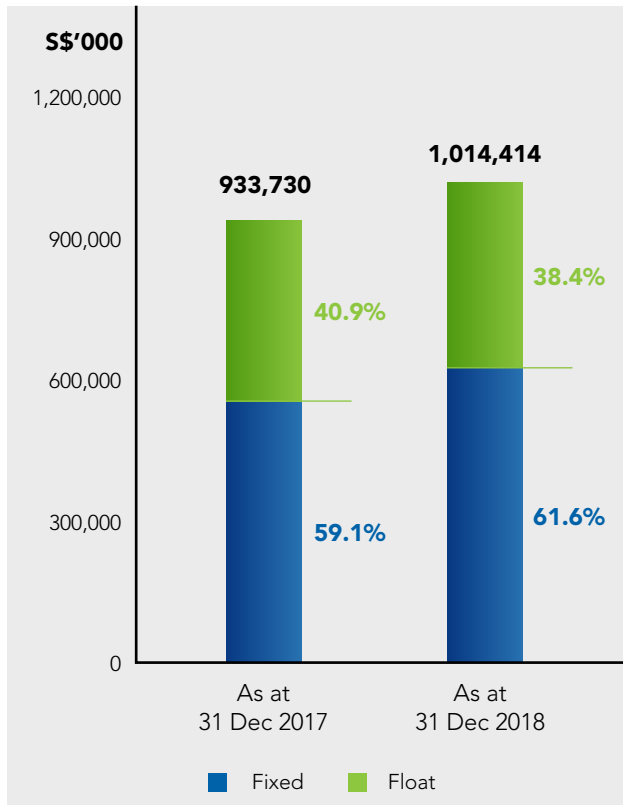
(7) The number of Stapled Securities issued and to be issued as at 31 December 2018 was 1,209,888,170 as compared to 1,202,951,118 as at 31 December 2017

DEBT PROFILE OF CDLHT ⁽¹⁾

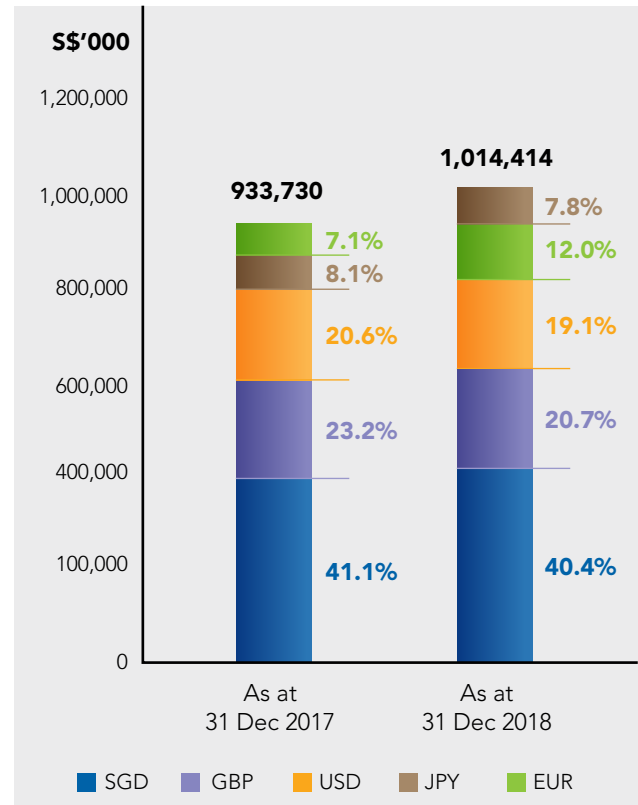
Debt Maturity Profile



Fixed-rate Versus Floating-rate Borrowings



Debt Currency Profile



(1) Numbers and percentages may not add up due to rounding

OVERVIEW AND FINANCIAL REVIEW

CHAIRMAN'S STATEMENT

"Our focus in FY 2018 was to continue to seek suitable acquisitions, invest in the long-term potential of our assets and create long term value for Stapled Security Holders while maintaining financial discipline."



On behalf of the Board of Directors of the H-REIT Manager and the HBT Trustee-Manager (collectively the "**Managers**"), I am pleased to present our annual report for the financial year ended 31 December 2018 ("**FY 2018**").

RESILIENT PORTFOLIO AND DELIVERING STABLE RETURNS

While Singapore's domestic economy and key markets such as US and China saw encouraging growth during 2018, uncertainties due to factors such as ongoing trade tensions and tightening financial conditions continue to persist in the macro environment, with global and domestic growth expected to moderate in the near term ⁽¹⁾.

Our focus in FY 2018 was to continue to seek suitable acquisitions, invest in the long-term potential of our assets and create long term value for Stapled Security Holders while maintaining financial discipline.

In November 2018, we expanded our footprint in Europe and secured a presence in Italy through the acquisition of Hotel Cerretani Florence, MGallery by Sofitel. We are pleased that CDLHT has penetrated a highly sought-after hospitality market, thereby augmenting our portfolio and also furthered our strategy of capitalising on the window of opportunity afforded by the low funding environment in Europe. We have unlocked the value of two of our Brisbane hotels with the divestment in January 2018 and have partially recycled these proceeds into this Florence hotel, a high quality asset with excellent location. Coupled with a full year ownership of the two acquisitions we made in Manchester, United Kingdom and Munich, Germany during 2017, the acquisitions have diversified our geographic exposure and supported our income growth.

As we adopt a medium to long term horizon, we continue to seek organic growth through driving overall performance and keeping our hotels competitive through strategic asset enhancement initiatives. We are pleased that our core portfolio Singapore, which constitutes more than 60% of our total portfolio value, is recording improved performance amidst a recovering hotel sector. Our largest Singapore hotel, Orchard Hotel, is currently undergoing a makeover project which will elevate its product offering when the works are completed. In the Maldives, we will also soon launch the first "Raffles" resort in the market.

Net property income ("**NPI**") for FY 2018 was S\$146.1 million, lower by 3.8% as compared to FY 2017, mainly due to the absence of contribution from the two divested Brisbane hotels and the closure of Dhevanafushi Maldives Luxury Resort for major renovations and rebranding into "Raffles Maldives Meradhoo". The New Zealand Hotel also recorded lower contribution due to the absence of significant one-off sporting events which occurred in 2017, and was further affected by a weaker NZD. The decline in NPI was largely mitigated by inorganic contribution from acquisitions made in Europe during 2017 (The Lowry Hotel and Pullman Hotel Munich), as well as higher contribution from the Singapore and Japan properties and Hilton Cambridge City Centre due to better performance.

Total distribution to Stapled Security Holders (after retention for working capital) for FY 2018, which included a partial distribution of the gains from the divestment of the two Brisbane hotels, was S\$111.6 million, 1.1% higher year-on-year ("**yoy**"). We are therefore pleased to deliver total Distribution per Stapled Security ("**DPS**") of 9.26 cents, 0.4% higher compared to FY 2017.

(1) Ministry of Trade and Industry Singapore, "MTI Maintains 2019 GDP Growth Forecast at "1.5 to 3.5 Per Cent", 15 February 2019

“We are encouraged by a gradually improving performance in our core market, Singapore, from a confluence of positive demand and supply drivers.”

As at 31 December 2018, CDLHT's portfolio value stands at S\$2.8 billion, the highest since our listing in July 2006 and translates to a 10.0% annualised growth rate ⁽²⁾ from IPO. We have also expanded to 16 hotels and two resorts, consisting of 5,088 rooms. Most of our assets have recorded valuation gains in their respective local currency in FY 2018.

With a robust balance sheet and ample debt headroom, we will continue to source for compelling acquisitions and to optimise the potential of our assets so as to enhance our returns to Stapled Security Holders. Should suitable divestment opportunities arise, we will continue to evaluate such avenues to unlock underlying asset values and/or recycle capital for better returns.

MARKET REVIEW AND OUTLOOK

We are encouraged by a gradually improving performance in our core market, Singapore, from a confluence of positive demand and supply drivers.

Corporate demand is stable and total tourism arrivals to Singapore grew 6.2% yoy to a new high of 18.5 million in 2018, with almost all of the top ten source markets recording growth ⁽³⁾, underpinned by improved air connectivity and Singapore Tourism Board's ("STB") continued marketing efforts. Key feeder markets such as China, India, Philippines, USA and Vietnam have also reached record highs. Taking into account potential headwinds in the year ahead, STB has forecast visitor arrivals to grow a further 1% to 4% ⁽⁴⁾ in 2019.

While 2019 will see the absence of biennial city-wide events such as the Singapore Airshow and Food & Hotel Asia, from a longer term perspective, Singapore's status as a top MICE destination is reinforced by the successful hosting of highly notable events such as the ASEAN Ministerial Meetings, Trump-Kim Summit and Bloomberg New Economy Forum, all of which were attended by prominent leaders.

To drive tourism demand, Singapore continues to invest in aviation infrastructure and tourism attractions. STB has also embarked on various multi-year partnerships. These include an inaugural three-year agreement with William Reed Business Media to anchor a series of five 50 Best events in Singapore, such as the debut of The World's 50 Best Restaurants awards in Singapore in 2019 to highlight our thriving food and beverage ("F&B") scene; as well as a tripartite partnership with Costa Cruises and Changi Airport Group, which is expected to bring in over 100,000 international fly-cruise visitors to Singapore over three years ⁽⁵⁾. In growing the cruise industry, a 35% increase was recorded in total passenger throughput for 2018.

On the supply front, Singapore hotel inventory is estimated to increase by 1,900 net rooms in 2019 (of which 421 new rooms are in the city centre), representing approximately 2.8% of existing room stock ⁽⁶⁾. While the trading environment is likely to remain competitive as new hotels that opened in the last 18 months continue to build their market share, the limited future supply pipeline will be supportive of a recovery in the Singapore hotel sector.

In New Zealand, visitor arrivals grew at a healthy pace of 3.5% to 3.9 million in 2018 ⁽⁷⁾. While there is growing hotel supply in Auckland, tourism demand is healthy with total arrivals being forecast to increase 5.4% yoy for 2019 ⁽⁸⁾. In addition, Auckland's MICE infrastructure will be strengthened once the construction of the New Zealand International Convention Centre, which is in close proximity to Grand Millennium Auckland, is completed in 2020 ⁽⁹⁾.

The Perth and Brisbane hospitality markets continue to experience competitive trading conditions from increased supply of new hotels. The defensive lease structure of our Australia Hotels will mitigate any downside risks in the hotels' performance.

(2) CAGR from IPO to 31 December 2018

(3) STB

(4) STB 2018 Year-in-Review

(5) STB, "Costa Cruises Enters Second Tripartite Partnership with Singapore Tourism Board and Changi Airport Group to Grow the Fly", 4 October 2018

(6) Based on STB, Horwath data (January 2019) and CDLHT research

(7) Statistics – Tourism New Zealand

(8) Ministry of Business, Innovation and Employment, New Zealand Tourism Forecasts 2018-2024

(9) NZICC, "The NZICC team will be at AIME 2019", 16 January 2019

OVERVIEW AND FINANCIAL REVIEW

CHAIRMAN'S STATEMENT

Over in Europe, while Brexit uncertainty may continue to pose downside risks to overall demand in the UK and in Manchester and Cambridge, we will also see growth in hotel inventory for these two markets. For Manchester, 2019 will feature events such as the Cricket World Cup and Conservative Party Conference; and for Cambridge, the presence of technology and pharmaceutical headquarters continue to provide base demand in a very competitive environment. For Munich, the hospitality market continues to be well-supported by the city's healthy fair calendar vis-à-vis increasing supply.

In the near term, contribution from the Maldives is expected to be affected by the gestation period of "Raffles Maldives Meradhoo" when it reopens and the competitive trading environment stemming from an increase in new resorts supply⁽¹⁰⁾.

While Maldives' top source market, China, is seeing protracted weakness in arrivals, arrivals from many European feeder markets have been recovering. The government has also announced new steps to maintain a structured growth in tourism, including an increase in 2019 state budget for tourism promotion by approximately three times⁽¹¹⁾.

Japan continues to record steady growth in visitor arrivals, with an 8.7% yoy increase to a record 31.2 million for 2018⁽¹²⁾. Tourism demand is likely to be spurred by sporting events such as the 2019 Rugby World Cup and the Tokyo 2020 Olympics and Paralympics. In addition, the development of integrated resorts and hosting of the World Expo 2025 in Japan would provide stimulus for further tourism growth. Near term supply concerns in Tokyo have been partially allayed with the contraction in number of Airbnb listings due to new regulations implemented from June 2018⁽¹³⁾.

DEEPENING PRESENCE IN EUROPE VIA ACQUISITION OF A HOTEL IN ITALY

To deliver sustainable long term returns to Stapled Security Holders, part of our strategy has been to diversify geographically and broaden our earnings base to allow our portfolio to ride through market cycles.

On 27 November 2018, we acquired a 95.0% interest in Hotel Cerretani Florence in Italy for €40.6 million⁽¹⁴⁾. This is a newly renovated, 4-star freehold hotel with 86 rooms which has an exceptional location in the heart of Florence's famed UNESCO-protected historic city centre. Due to new hotel restrictions in the city centre imposed by the Florence City Council, supply growth will likely be limited in the foreseeable

future. The acquisition in Italy underlines CDLHT's strategy of exercising investment rigour in securing high quality assets in cities with supply constraints.

The lessee for Hotel Cerretani Florence is affiliated to EVENT Hotels, the largest fully integrated hotel management platform in Germany and also the lessee of our Germany Hotel. The lease structure in place offers both downside protection and upside participation for CDLHT. In addition, the hotel is marketed under the "MGallery by Sofitel" flag under a franchise agreement with AccorHotels, a leading hotel group.

OPTIMISING AND CREATING VALUE THROUGH ACTIVE ASSET MANAGEMENT

The Managers constantly review CDLHT's portfolio and continuously identify opportunities to enhance our assets' value and competitiveness through optimising the long term potential of our properties. This in turn improves the quality of our portfolio.

The Singapore hotel sector is moving out of a cyclical trough and we are positioning CDLHT for this recovery. Orchard Hotel has embarked on a refurbishment exercise covering its public area, rooms in the Orchard Wing and meetings and events space. Although this project will disrupt the business of the hotel in FY 2019, we believe the rejuvenated product will improve overall guest experience and allow Orchard Hotel to strengthen its competitive edge amidst various new hotel offerings in the market. Other asset enhancement opportunities in our Singapore Hotels are also being evaluated.

Looking overseas, Dhevanafushi Maldives Luxury Resort's transition programme is underway. We look forward to its relaunch as "Raffles Maldives Meradhoo" later this year. Under the iconic collection of Raffles Hotels and Resorts, the resort will compete at the top end of the Maldives luxury market. Refurbishment works are also being planned for our other Maldives resort, Angsana Velavaru, to strengthen its product offering to compete more effectively against new supply.

In the UK, the Presidential Suite of The Lowry Hotel was fully renovated and reopened in October 2018. The Presidential Suite is a key feature for the entertainment business segment of the hotel. There are also plans to upgrade the public areas of The Lowry Hotel, which will fortify its position as one of the top hotels in Manchester.

(10) Ministry of Tourism, Republic of Maldives, Tourism Monthly Updates

(11) Maldives Insider, "Maldives Seeks Record-Breaking Tourism Performance In 2019", 2 January 2019

(12) Japan National Tourism Organization

(13) Savills World Research Japan, "Spotlight Japan Hospitality", August 2018

(14) €40.6 million is the property price of H-REIT's effective interest of 95.0%

On 11 January 2018, we completed the divestment of Mercure Brisbane and Ibis Brisbane for an attractive exit yield and a 43.4% premium (in local currency terms) over our original purchase price. Having unlocked the underlying value of the assets, we have distributed part of the divestment gains to Stapled Security Holders in FY 2018 and also redeployed part of the proceeds into our new acquisition.

PRUDENT CAPITAL MANAGEMENT

As at 31 December 2018, CDLHT has a robust balance sheet with a gearing ratio of 34.2% and ample regulatory debt headroom of S\$577.9 million. CDLHT has maintained its rating of BBB- on the Fitch Issuer Default Rating and has a strong interest cover of 7.1 times for FY 2018.

During 2018, we refinanced the remaining bridge loan initially drawn down for the acquisition of the Germany Hotel and one of our SGD medium term notes, into fixed rate term loans. We also refinanced one of our revolving credit facilities in December. Our weighted average cost of debt continues to be low at 2.4% and our floating rate risk is well managed with 38.4% of our borrowings being floating rate loans. This proportion will further decrease once the bridging facility drawn for the acquisition of Hotel Cerretani Florence is refinanced.

SUSTAINABILITY REPORTING

This marks our second year of showcasing our efforts under the Sustainability Reporting requirements and we are pleased to present our Sustainability Report for FY 2018 on pages 108 to 119 of this Annual Report. We increased our engagement with master lessees and hotel managers of CDLHT's assets and have expanded the scope of our report this year to include some of our overseas assets on top of our Singapore Hotels.

As we continue to expand, we are committed to encourage the best Environmental, Social and Governance ("ESG") practices for continued long-term growth and enhancement of portfolio value for our stakeholders.

AWARDS AND ACCOLADES

In the Singapore Governance and Transparency Index 2018 – REIT and Business Trust Category, CDLHT ranked fifth amongst 43 trusts and was also the highest ranked stapled trust, reflecting our ongoing endeavours to ensure and improve transparency of information, proper business practices and sound corporate governance. During 2018, CDLHT also won the "Best Of The Breeds REITs Award for Hospitality REIT (Singapore) – Gold" at The Asia Pacific Best of the Breeds REITs Awards™.

A number of our hotels have continued to be recognised for their product offering and being a preferred choice for travellers in 2018, underlining our assets' quality. For instance, Hua Ting Restaurant at Orchard Hotel received notable accolades such as The Michelin Plate 2018 under The Michelin Guide Singapore and was rated One Star under Wine & Dine Singapore's Top Restaurants. Grand Copthorne Waterfront Hotel was awarded Best Convention Hotel, Singapore and Best Luxury Hotel, Singapore by International Hotel Awards.

APPRECIATION

Having joined the Boards on 22 June 2018 as Chairman, I am confident that with the Boards' and management team's leadership and wisdom, we are in good stead to forge CDLHT's future successes. I would like to express my deepest gratitude to my fellow members of the Boards, management and staff of the Managers and the H-REIT Trustee for your immeasurable contribution and dedication to CDLHT. On behalf of the Boards and management team, I would also like to take this opportunity to thank our lessees, hotel operators, business partners and service providers from around the world for your continued support to CDLHT. Finally, I want to thank our Stapled Security Holders for your trust and unwavering support.

I look forward to meeting you at our annual general meetings on 29 April 2019.

Chan Soon Hee, Eric
Chairman

OVERVIEW AND FINANCIAL REVIEW

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS



Orchard Hotel



Grand Copthorne Waterfront Hotel



M Hotel



Claymore Connect



Mercure Perth



Ibis Perth



Angsana Velavaru



Raffles Maldives Meradhoo



Hilton Cambridge City Centre

NUMBER OF PROPERTIES

As at 31 December 2018

16 Hotels, 2 Resorts and 1 Retail Mall



Copthorne King's Hotel

Studio M Hotel

Novotel Singapore Clarke Quay

Novotel Brisbane

Hotel MyStays Asakusabashi

Hotel MyStays Kamata

Grand Millennium Auckland

The Lowry Hotel

Pullman Hotel Munich

Hotel Cerretani Florence

NUMBER OF ROOMS

As at 31 December 2018

5,088

VALUATION OF ASSETS

As at 31 December 2018

S\$2.8 billion

OVERVIEW AND FINANCIAL REVIEW

MARKET REVIEW

LEADERSHIP STRUCTURE

PROPERTY PORTFOLIO

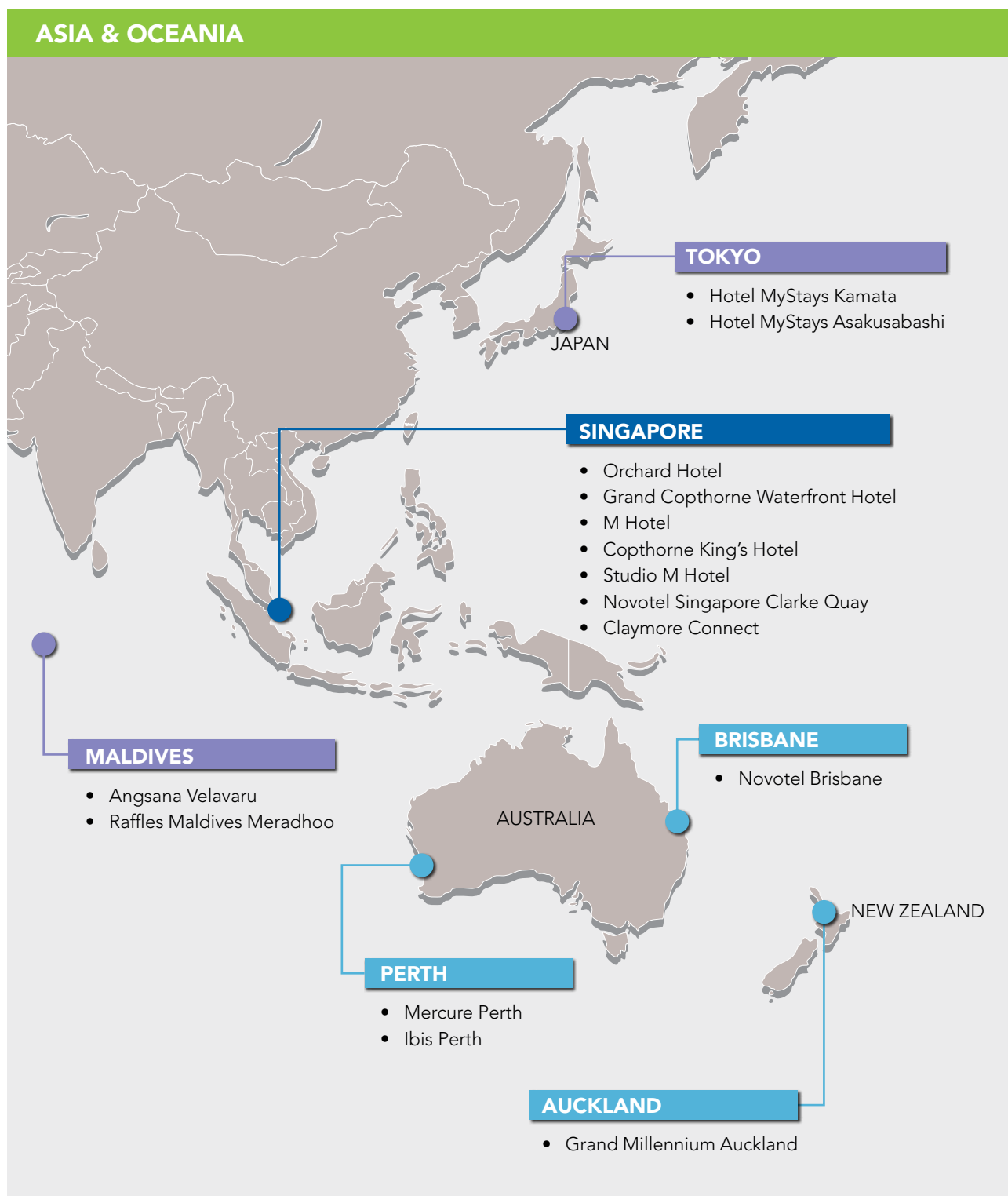
REPORTS

OVERVIEW AND FINANCIAL REVIEW

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

As at 31 December 2018

GEOGRAPHICAL SPREAD OF ASSETS UNDER MANAGEMENT



As at 31 December 2018

GEOGRAPHICAL SPREAD OF ASSETS UNDER MANAGEMENT



OVERVIEW AND FINANCIAL REVIEW

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

KEY PROPERTY DETAILS

Summary details of CDLHT's properties are as follows:

	No of Rooms	Title
SINGAPORE		
Orchard Hotel	656	75-year leasehold interest commencing 19 Jul 2006
Grand Copthorne Waterfront Hotel	574	
M Hotel	415	
Copthorne King's Hotel	310	99-year leasehold interest commencing 1 Feb 1968
Studio M Hotel	360	99-year leasehold interest commencing 26 Feb 2007
Novotel Singapore Clarke Quay	403	97 years and 30 days leasehold interest commencing 2 Apr 1980
Claymore Connect	N.A.	75-year leasehold interest commencing 19 Jul 2006
NEW ZEALAND		
Grand Millennium Auckland	452	Freehold
AUSTRALIA		
Novotel Brisbane	296	Strata Volumetric Freehold
Mercure Perth	239	Strata Freehold
Ibis Perth	192	Freehold
MALDIVES		
Angsana Velavaru	113	50-year leasehold interest commencing 26 Aug 1997
Raffles Maldives Meradhoo	37	50-year leasehold interest commencing 15 Jun 2006
JAPAN		
Hotel MyStays Asakusabashi	139	Freehold
Hotel MyStays Kamata	116	Freehold
UNITED KINGDOM		
Hilton Cambridge City Centre	198	125-year leasehold interest commencing 25 Dec 1990
The Lowry Hotel	165	150-year leasehold interest commencing 18 Mar 1997
GERMANY		
Pullman Hotel Munich ⁽³⁾	337	Freehold
ITALY		
Hotel Cerretani Florence, MGallery by Sofitel ⁽⁴⁾	86	Freehold

(1) All properties were valued as at 31 December 2018 excluding Italy Hotel. The Italy Hotel, which was acquired on 27 November 2018, was valued by HVS Global Hospitality Services as at 25 July 2018

(2) The lease term may be extended for a further term of 50 years pursuant to lessee's (CDLHT) option to renew under the lease granted by the head lessor (Cambridge City Council)

(3) On the basis of a 100.0% interest. CDLHT owns an effective interest of 94.5% in Pullman Hotel Munich

(4) On the basis of a 100.0% interest. CDLHT owns an effective interest of 95.0% in Hotel Cerretani Florence

Remaining Term of Land Lease	Date of Acquisition	Purchase Price in Millions	Valuation in Millions ⁽¹⁾
63 years	19 Jul 2006	S\$330.1	S\$444.0
	19 Jul 2006	S\$234.1	S\$357.0
	19 Jul 2006	S\$161.5	S\$237.0
48 years	19 Jul 2006	S\$86.1	S\$118.0
87 years	3 May 2011	S\$154.0	S\$154.0
58 years	7 Jun 2007	S\$201.0	S\$333.0
63 years	19 Jul 2006	S\$34.5	S\$95.8
–	19 Dec 2006	NZ\$113.0	NZ\$232.5
–	18 Feb 2010	A\$63.5	A\$72.5
–	18 Feb 2010	A\$36.2	A\$48.0
–	18 Feb 2010	A\$21.6	A\$33.0
29 years	31 Jan 2013	US\$71.0	US\$57.0
37 years	31 Dec 2013	US\$59.6	US\$50.0
–	19 Dec 2014	¥3,200	¥4,000
–	19 Dec 2014	¥2,600	¥2,740
97 years ⁽²⁾	1 Oct 2015	£61.5	£63.2
128 years	4 May 2017	£52.5	£53.0
–	14 Jul 2017	€104.7	€115.5
–	27 Nov 2018	€42.7	€43.8

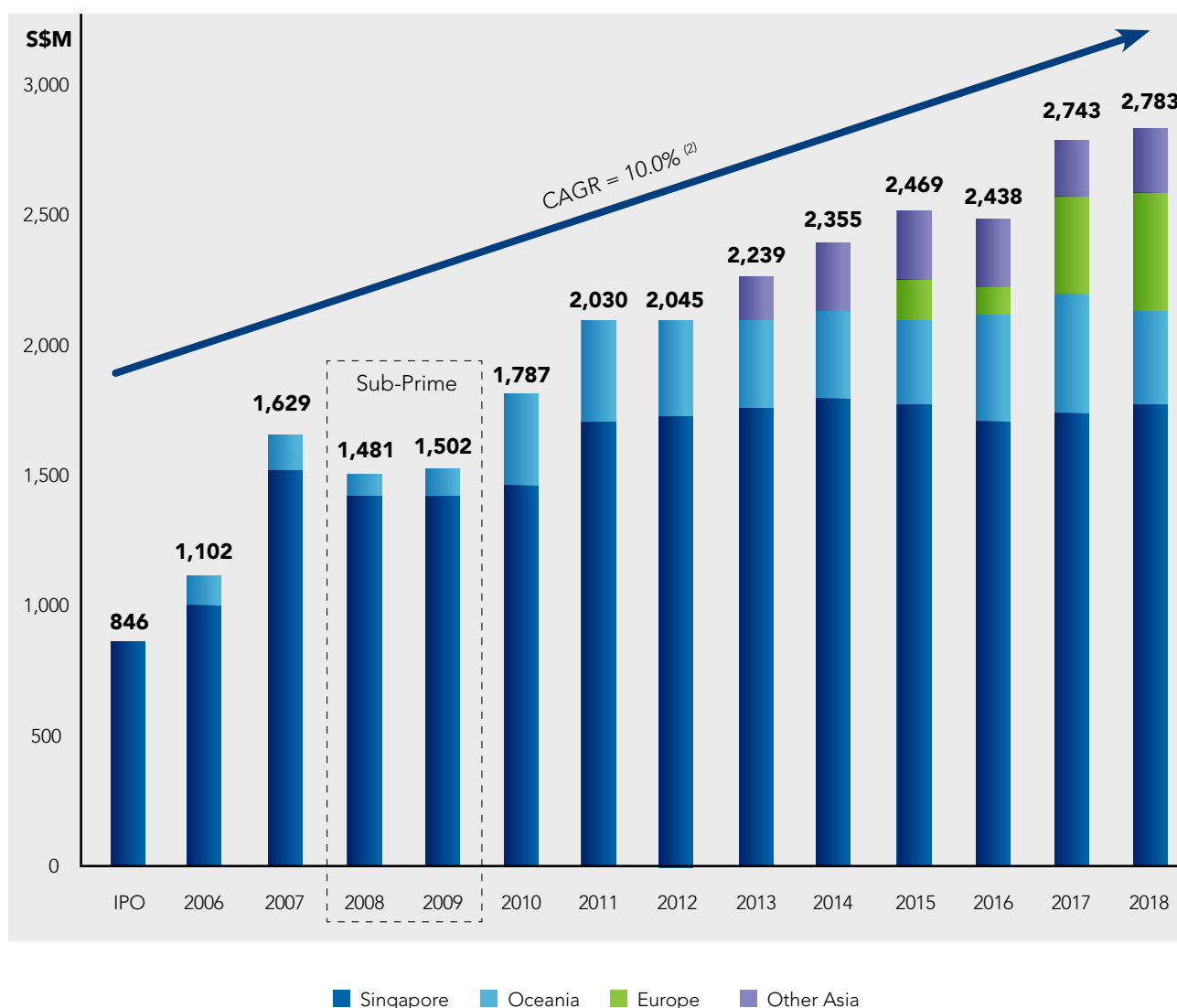
OVERVIEW AND FINANCIAL REVIEW

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

PORTFOLIO VALUATION ⁽¹⁾

As at 31 December 2018, the valuation of CDLHT's portfolio value registered a 1.5% increase to S\$2.8 billion. This was mainly due to the acquisition of Hotel Cerretani Florence, as well as fair value gain on arising from the Singapore, Japan and Germany properties. This was partially offset by impairment losses from the Maldives Resorts as a result of the weaker trading environment and negative currency translation for the Australia, NZ and UK properties (which saw fair value gain in local currency). Two hotels in Brisbane were also divested in FY 2018.

Since IPO till 31 December 2018, the portfolio value of CDLHT has increased from S\$0.8 billion to S\$2.8 billion, representing a CAGR of 10.0%.

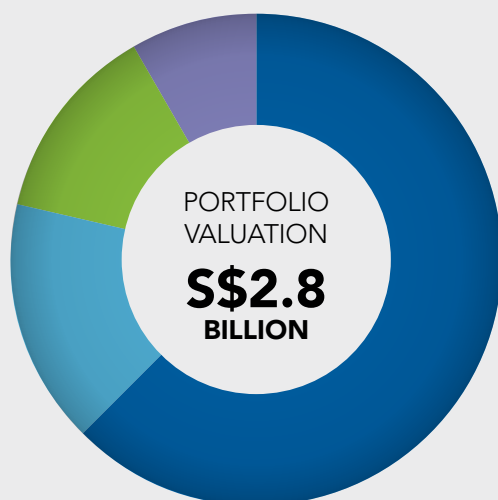


(1) Numbers and percentages may not add up due to rounding

(2) CAGR from IPO to 31 December 2018

PORTFOLIO VALUATION BY GEOGRAPHY AND PROPERTIES*

As at 31 December 2018



SINGAPORE PORTFOLIO 62.5%

Singapore	62.5%
Orchard Hotel	16.0%
Grand Copthorne Waterfront Hotel	12.8%
Novotel Singapore Clarke Quay	12.0%
M Hotel	8.5%
Studio M Hotel	5.5%
Copthorne King's Hotel	4.2%
Claymore Connect	3.4%

EUROPE PORTFOLIO 16.2%

United Kingdom	7.3%
Hilton Cambridge City Centre	4.0%
The Lowry Hotel (Manchester)	3.3%
Germany ⁽¹⁾	6.5%
Pullman Hotel Munich	6.5%
Italy ⁽²⁾	2.5%
Hotel Cerretani Florence	2.5%

OCEANIA PORTFOLIO 13.0%

New Zealand	7.7%
Grand Millennium Auckland	7.7%
Australia	5.3%
Novotel Brisbane	2.5%
Mercure Perth	1.7%
Ibis Perth	1.1%

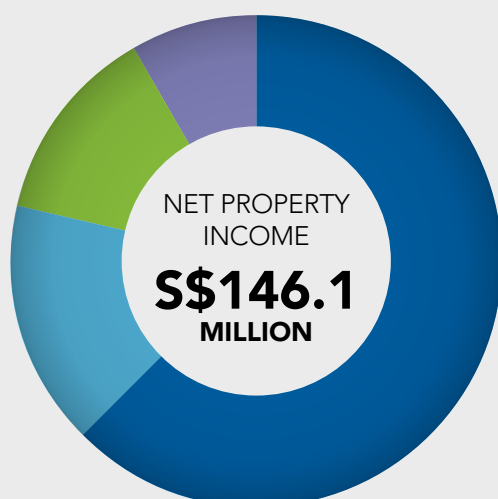
OTHER ASIA PORTFOLIO 8.3%

Maldives	5.3%
Angsana Velavaru	2.8%
Dhevanafushi Maldives Luxury Resort	2.5%
Japan	3.0%
MyStays Asakusabashi	1.8%
MyStays Kamata	1.2%

- * Numbers and percentages may not add up due to rounding
- (1) On the basis of a 100% interest. CDLHT owns an effective interest of 94.5% in Pullman Hotel Munich
- (2) On the basis of a 100% interest. CDLHT owns an effective interest of 95.0% in Hotel Cerretani Florence

NET PROPERTY INCOME BY GEOGRAPHY AND PROPERTIES*

For FY 2018



SINGAPORE PORTFOLIO 59.9%

Singapore	59.9%
Novotel Singapore Clarke Quay	14.4%
Orchard Hotel	12.7%
Grand Copthorne Waterfront Hotel	11.6%
M Hotel	8.5%
Studio M Hotel	4.7%
Copthorne King's Hotel	4.3%
Claymore Connect	3.6%

EUROPE PORTFOLIO 15.5%

United Kingdom	8.8%
Hilton Cambridge City Centre	5.2%
The Lowry Hotel (Manchester)	3.5%
Germany	6.7%
Pullman Hotel Munich	6.7%
Italy ⁽²⁾	0.1%
Hotel Cerretani Florence	0.1%

OCEANIA PORTFOLIO 18.9%

New Zealand	12.2%
Grand Millennium Auckland	12.2%
Australia	6.7%
Novotel Brisbane	3.4%
Mercure Perth	2.0%
Ibis Perth	1.3%
Mercure Brisbane ⁽¹⁾	0.1%
Ibis Brisbane ⁽¹⁾	0.0%

OTHER ASIA PORTFOLIO 5.7%

Japan	3.3%
MyStays Asakusabashi	1.9%
MyStays Kamata	1.4%
Maldives	2.3%
Angsana Velavaru	4.9%
Dhevanafushi Maldives	N.M.
Luxury Resort ⁽³⁾	

- * Numbers and percentages may not add up due to rounding
- (1) Mercure Brisbane and Ibis Brisbane were divested on 11 January 2018, hence NPI contribution is for the period from 1 January 2018 to 11 January 2018
- (2) Hotel Cerretani Florence was acquired on 27 November 2018, hence NPI contribution is for the period from 27 November 2018 to 31 December 2018
- (3) The resort is closed for renovation works from 1 June 2018 and will reopen as Raffles Maldives Meradhoo in 2019

OVERVIEW AND FINANCIAL REVIEW

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

TOP 10 TENANTS BY GROSS RENTAL INCOME FOR PROPERTIES WITH LEASES ⁽¹⁾

For FY 2018

CDLHT had 45 tenants in total for properties that were leased out in FY 2018: 10 for the hotel properties, 24 for Claymore Connect and 11 for the retail/office component of Pullman Hotel Munich. The top 10 tenants contributed to 94.7% of the total gross rental income for properties with leases.

		S\$'000	% of Total Gross Rental Income*
1	Republic Hotels & Resorts Limited	25,776	18.0%
2	AAPC Clarke Quay Hotel Pte. Ltd.	22,154	15.5%
3	City Hotels Pte. Ltd.	20,086	14.0%
4	Hospitality Services Limited	17,831	12.5%
5	Harbour View Hotel Pte. Ltd.	13,456	9.4%
6	UP Hotel Operations GmbH & Co. KG	10,002	7.0%
7	HI Operations Pty Ltd.	9,832	6.9%
8	Maldives Bay Pvt Ltd	8,089	5.7%
9	Republic Iconic Hotel Pte. Ltd.	7,234	5.1%
10	Cold Storage Singapore (1983) Pte Ltd	1,119	0.8%

■ Hotels ■ Supermarket

* Percentages may not add up due to rounding

(1) Does not include properties without leases, namely Raffles Maldives Meradhoo, Hotel MyStays Asakusabashi, Hotel MyStays Kamata, Hilton Cambridge City Centre and The Lowry Hotel

LEASE EXPIRY PROFILE AND TENANT MIX BY GROSS RENTAL INCOME FOR PROPERTIES WITH LEASES ⁽¹⁾

For FY 2018

94.1% of CDLHT's gross rental income for FY 2018 ⁽¹⁾ was attributed to hotel properties and the remaining 5.9% was attributed to CDLHT's only retail property, Claymore Connect, and also the small retail/office component of Pullman Hotel Munich. CDLHT has a strong mix of diversified hotel operators on master leases as well as healthy lease expiry profile.

Properties	Tenure of Lease	Year of Expiry ⁽²⁾	% of Rental Income ⁽³⁾
Singapore IPO Hotels	20 years from 19 Jul 2006 with an option to renew for another 20 years	2026	41.4%
Novotel Singapore Clarke Quay	Approximately 13.5 years from 7 Jun 2007 expiring 31 Dec 2020	2020	15.5%
Grand Millennium Auckland	Three years from 7 Sep 2016 with options to renew for two further 3-year terms each	2019	12.5%
Pullman Hotel Munich	Hotel: 20 years from 14 Jul 2017 expiring 13 Jul 2037	2037	7.0%
	Retail/office: Range of lease terms - for details on lease expiry profile, refer to page 81		0.6%
Australia Hotels ⁽⁴⁾	Approximately 11 years from 19 Feb 2010 expiring 30 Apr 2021	2021	6.9%
Angsana Velavaru	10 years from 1 Feb 2013 expiring 31 Jan 2023	2023	5.7%
Claymore Connect	Range of lease terms - for details on lease expiry profile, refer to page 63		5.3%
Studio M Hotel	20 years from 3 May 2011 with options to renew for three consecutive additional terms of 20 years + 20 years + 10 years	2031	5.1%
Hotel Cerretani Florence	20 years from 27 November 2018 expiring 26 November 2038	2038	0.1%

Weighted Average Lease Expiry	
Hotel Properties (All hotel leases)	6.2 years ⁽⁵⁾
Hotel Cerretani Florence (New hotel lease)	19.9 years
All retail/office leases	2.4 years ⁽⁶⁾
New retail/office leases	3.0 years ⁽⁶⁾

The weighted average lease expiry are shown separately for the retail/office leases versus hotel leases as the nature and profile of these leases differ and a separate disclosure is more meaningful.

In FY 2018, all the new leases entered into relating to Claymore Connect and the retail/office component of Pullman Hotel Munich represent only 0.3% ⁽⁷⁾ of total gross rental income for the year, while the new hotel lease for Hotel Cerretani Florence represents 0.1% of total gross rental income for the year as the acquisition was only completed on 27 November 2018.

- (1) Does not include properties without leases, namely Raffles Maldives Meradhoo, Hotel MyStays Asakusabashi, Hotel MyStays Kamata, Hilton Cambridge City Centre and The Lowry Hotel
- (2) Expiry does not take into consideration the tenure under the extension options
- (3) Percentages may not add up to 100% due to rounding
- (4) Mercure Brisbane and Ibis Brisbane were divested on 11 January 2018
- (5) Based on FY 2018 actual gross rental income and excludes Mercure Brisbane and Ibis Brisbane
- (6) Based on the passing rental income in the month which the lease expires and excludes gross turnover rent. The weighted average lease expiry by NLA for all retail/office leases and the new leases are 2.6 years and 3.1 years respectively
- (7) Computed based on gross rental income of new leases entered into at Claymore Connect and the retail/office component of Pullman Hotel Munich in FY 2018 as a percentage of gross rental income of all properties with leases for FY 2018

OVERVIEW AND FINANCIAL REVIEW

YEAR IN REVIEW

PERFORMANCE BY COUNTRY AND PROPERTY ⁽¹⁾

	FY 2018 S\$'000	FY 2017 S\$'000	Variance	FY 2018 S\$'000	FY 2017 S\$'000	Variance
PROPERTIES WITH LEASES	Gross Rental Revenue			Net Property Income		
Singapore	96,266	95,844	0.4%	87,445	86,195	1.5%
Singapore Hotels	88,706	89,037	-0.4%	82,121	81,764	0.4%
Orchard Hotel	20,086	20,712	-3.0%	18,597	19,083	-2.5%
Grand Copthorne Waterfront Hotel	18,167	18,948	-4.1%	16,908	17,656	-4.2%
M Hotel	13,456	13,572	-0.9%	12,457	12,315	1.2%
Copthorne King's Hotel	7,609	7,237	5.1%	6,260	5,806	7.8%
Studio M Hotel	7,234	6,875	5.2%	6,857	6,483	5.8%
Novotel Singapore Clarke Quay	22,154	21,693	2.1%	21,042	20,421	3.0%
Singapore Retail	7,560	6,807	11.1%	5,324	4,431	20.2%
Claymore Connect	7,560	6,807	11.1%	5,324	4,431	20.2%
Australia	9,832	14,466	-32.0%	9,832	14,466	-32.0%
Mercure Brisbane ⁽²⁾ (Divested in January 2018)	75	2,576	-97.1%	75	2,576	-97.1%
Ibis Brisbane ⁽²⁾ (Divested in January 2018)	50	1,717	-97.1%	50	1,717	-97.1%
Novotel Brisbane	4,987	5,227	-4.6%	4,987	5,227	-4.6%
Ibis Perth	1,870	1,960	-4.6%	1,870	1,960	-4.6%
Mercure Perth	2,850	2,987	-4.6%	2,850	2,987	-4.6%
New Zealand	17,831	19,419	-8.2%	17,831	19,419	-8.2%
Grand Millennium Auckland	17,831	19,419	-8.2%	17,831	19,419	-8.2%
Maldives	8,089	8,289	-2.4%	7,115	7,284	-2.3%
Angsana Velavaru	8,089	8,289	-2.4%	7,115	7,284	-2.3%
Germany	10,908	5,468	99.5%	9,747	5,081	91.8%
Pullman Hotel Munich ⁽³⁾	10,908	5,468	99.5%	9,747	5,081	91.8%
Italy	207	-	N.M.	118	-	N.M.
Hotel Cerretani Florence ⁽⁴⁾	207	-	N.M.	118	-	N.M.
Sub-Total	143,133	143,486	-0.2%	132,088	132,445	-0.3%
MANAGED PROPERTIES ⁽⁵⁾	Gross Hotel Revenue			Net Property Income		
Maldives	4,724	14,587	-67.6%	(3,690)	2,265	N.M.
Dhevanafushi Maldives Luxury Resort (Temporarily closed from June 2018)	4,724	14,587	-67.6%	(3,690)	2,265	N.M.
Japan	9,708	9,845	-1.4%	4,852	4,670	3.9%
Hotel MyStays Asakusabashi	5,580	5,701	-2.1%	2,809	2,723	3.2%
Hotel MyStays Kamata	4,127	4,144	-0.4%	2,043	1,947	4.9%
United Kingdom	44,238	36,397	21.5%	12,804	12,380	3.4%
Hilton Cambridge City Centre	20,827	20,344	2.4%	7,652	7,569	1.1%
The Lowry Hotel ⁽⁶⁾	23,411	16,053	45.8%	5,152	4,811	7.1%
Sub-Total	58,670	60,829	-3.5%	13,966	19,315	-27.7%
Total Portfolio	201,803	204,315	-1.2%	146,054	151,760	-3.8%

(1) Numbers may not add up due to rounding

(2) As Mercure Brisbane and Ibis Brisbane were divested on 11 January 2018, the gross revenue and NPI for FY 2018 include only contribution from 1 January 2018 to 11 January 2018

(3) As Pullman Hotel Munich was acquired on 14 July 2017, the gross revenue and NPI for FY 2017 include only contribution from 14 July 2017 to 31 December 2017

(4) As Hotel Cerretani Florence was acquired on 27 November 2018, the gross revenue and NPI for FY 2018 include only contribution from 27 November 2018 to 31 December 2018

(5) These are properties with management contracts, with the exception of The Lowry Hotel which is self-managed

(6) As The Lowry Hotel was acquired on 4 May 2017, the gross revenue and NPI for FY 2017 include only contribution for from 4 May 2017 to 31 December 2017



Suite, M Hotel

REVIEW OF FINANCIAL PERFORMANCE

In FY 2018, CDLHT recorded total revenue of S\$201.8 million, marginally lower by 1.2% as compared to FY 2017. This was mainly due to the absence of contribution from three properties: Dhevanafushi Maldives Luxury Resort from June 2018 (closed for major renovations); and Mercure Brisbane and Ibis Brisbane from January 2018 (divested), which collectively lowered revenue by S\$14.0 million. In addition, contribution from the New Zealand Hotel was lower by S\$1.6 million due to softer trading performance and a weaker NZD. These decreases were largely offset by a full year contribution from The Lowry Hotel (acquired in May 2017) and Pullman Hotel Munich (acquired in July 2017), which collectively boosted revenue by S\$12.8 million. Hotel Cerretani Florence, which was newly acquired on 27 November 2018, contributed S\$0.2 million. There was also higher revenue contribution of S\$0.8 million from Claymore Connect due to the renewal of leases at higher rental rates and new tenants secured.

Accordingly, total NPI for FY 2018 decreased by 3.8% to S\$146.1 million. Total distribution to Stapled Security Holders (after retention for working capital) for FY 2018, which included a partial distribution of the proceeds from the sale of Mercure Brisbane and Ibis Brisbane, increased 1.1% yoy to S\$111.6 million. Consequently, DPS for FY 2018 increased by 0.4% yoy to 9.26 cents.

CDLHT revalued its portfolio of properties as at 31 December 2018 ⁽¹⁾ and recorded a collective net fair value gain of S\$32.3 million, mainly due to fair value gains arising largely from its Singapore, Japan and Germany properties, which were partially offset by the diminution in value of its Maldives properties. This revaluation has no impact on CDLHT's distribution.

OPERATING EXPENSES	FY 2018	FY 2017
Total Operating Expenses [#] (S\$'000)	113,241	116,160
Net Asset Value ⁽²⁾ (S\$'000)	1,847,663	1,840,273
Total Operating Expenses as a Percentage of Net Asset Value	6.1%	6.3%

[#] Refers to all operating expenses (including property taxes and insurance) and all fees and charges (including acquisition fees) paid to the Managers and interested parties. Refer to Page 133 of the Financial Statements for details relating to the operating expenses.

(1) All properties, excluding the Italy Hotel, were valued as at 31 December 2018. The Italy Hotel, which was acquired on 27 November 2018, was valued by HVS Global Hospitality Services as at 25 July 2018

(2) This excludes minority interests

OVERVIEW AND FINANCIAL REVIEW

YEAR IN REVIEW

HOTELS PERFORMANCE FOR FY 2018

Singapore

In 2018, high profile meetings which Singapore hosted such as the ASEAN Ministerial Meetings helped to boost demand and the Trump-Kim Summit also increased market awareness of Singapore as a key MICE destination. Major city-wide events, such as the biennial Singapore Airshow and Food & Hotel Asia, as well as F1 Singapore Grand Prix provided support for growth in arrivals and average rate in the market. However, the trading environment remained competitive as the market continued to absorb new hotel supply. Additionally, Orchard Hotel's performance was affected by renovation works on its lobby and F&B outlets. Nonetheless, the Singapore Hotels managed to achieve a slight RevPAR growth of 0.6% yoy, which would have been higher if Orchard Hotel were to be excluded.

CDLHT'S SINGAPORE HOTELS PERFORMANCE	FY 2018	FY 2017	Variance
Average Occupancy Rate	86.9%	86.7%	0.2pp
Average Daily Rate	S\$184	S\$183	0.3%
RevPAR	S\$160	S\$159	0.6%

Overseas

In New Zealand, the absence of significant one-off sporting events, such as the British and Irish Lions Rugby Tour and World Masters Games which took place in FY 2017, resulted in a 3.8% decline in RevPAR for the New Zealand Hotel. NPI contribution of the hotel was also affected by a weaker NZD and higher property tax.

The divestment of Mercure Brisbane and Ibis Brisbane in Australia was successfully completed in January 2018. CDLHT continues to receive fixed rent for the remaining Australia Hotels but NPI contribution in SGD terms for FY 2018 was lower due to a weaker AUD.

In the UK, there were travel disruptions from the extreme cold weather experienced at the start of the year. In addition, increasing hotel rooms supply and a lighter events calendar led to softer trading conditions for the UK Hotels. Despite these, RevPAR for the UK Hotels remained flat yoy⁽³⁾. During the year, The Lowry Hotel incurred some one-off operating and maintenance expenses. Overall, NPI for the UK Hotels in FY 2018 was S\$0.4 million higher than previous year.

A stronger citywide events calendar coupled with robust group demand and increased international arrivals to Munich, which grew 6.2% yoy to 3.8 million for 2018, featured well for the Germany Hotel in FY 2018. Accordingly, the Germany Hotel recorded a robust yoy RevPAR growth of 9.1% for the year⁽⁴⁾ and with a full year of income recognition, its NPI contribution almost doubled.

Following CDLHT's maiden acquisition in Florence, Italy on 27 November 2018, the inorganic contribution provided a slight boost to the Group's overall NPI and the full effects of the acquisition will be felt in FY 2019.

In the Maldives, while overall tourism arrivals grew 6.8% yoy in 2018, Chinese arrivals being Maldives' top source market contracted by 7.6%⁽⁵⁾ and trading conditions remained competitive with increased supply. The state of emergency declared in February to March 2018 due to political events also triggered adverse travel advisories into the Maldives. Consequently, Angsana Velavaru reported a yoy RevPAR decline of 6.1% but NPI contribution in local currency was unaffected due to the recognition of minimum rent. For Dhevanafushi Maldives Luxury Resort, only five months of trading results were recognised during the year due to its closure from 1 June 2018 for its rebranding renovation program. The resort has been going through a transitional phase to be rebranded as "Raffles Maldives Meradhoo" when it reopens later this year.

(3) The RevPAR comparison assumes that CDLHT owned The Lowry Hotel for the full corresponding period

(4) The RevPAR comparison assumes that CDLHT owned Pullman Hotel Munich for the full corresponding period

(5) Ministry of Tourism, Republic of Maldives, Tourism Monthly Updates

Over in Japan, growth in international visitor arrivals remained healthy with total visitor arrivals increasing 8.7% yoy to 31.2 million in 2018 ⁽⁶⁾. In Tokyo, the midscale and economy hotel sectors faced competitive pressure in the first half of 2018 from increased supply and alternative accommodation such as Airbnb. Due to new regulations implemented from June 2018, many short-term accommodation listings in Tokyo have been suspended until governmental permit is granted, partially alleviating supply concerns. Consequently, the Japan Hotels delivered a 6.6% yoy RevPAR growth for 2H 2018, which contributed to a full year RevPAR increase of 0.6%. This improvement was supported by a soft refurbishment of selected guestrooms carried out in both hotels in 1Q 2018, which boosted their competitive positioning and lifted rates. Accordingly, NPI contribution increased 3.9% yoy for FY 2018.

GROWTH FROM ACQUISITION



Only a three-minute walk to Cathedral of Santa Maria del Fiore (Il Duomo), the top tourist attraction in Florence

Façade, Hotel Cerretani Florence



Suite, Hotel Cerretani Florence

Maiden entry into the Renaissance City of Florence, Italy

On 27 November 2018, CDLHT expanded its presence in Europe through the acquisition of a 95.0% interest in Hotel Cerretani Florence, MGallery by Sofitel, for a property price of €40.6 million ⁽⁷⁾, which was fully funded by offshore debt and partial proceeds from the divestment of Mercure Brisbane and Ibis Brisbane.

Hotel Cerretani Florence is a 4-star freehold hotel under the "MGallery by Sofitel" flag with 86 rooms. In 2016, the hotel underwent an extensive phased refurbishment for approximately €5.3 million, including a full renovation of all its guest rooms and public areas.

The hotel is leased and operated by FC Operations Hotel SRL (also the previous lessee prior to CDLHT's acquisition), which is affiliated to the 5.0% minority shareholder that is part of the EVENT Hotels group. EVENT Hotels is the largest fully integrated hotel management platform in Germany which owns, operates and manages 80 hotels with approximately 14,100 keys throughout Europe, and is also the lessee and operator of CDLHT's Germany Hotel. The lease arrangement pegs the rental to the net operating profit of the hotel, subject to a base rent of €1.3 million per annum, which provides both upside participation and downside protection to CDLHT.

Boasting an exceptional location in the heart of the historic city centre, Hotel Cerretani Florence is within walking distance to world famous tourist attractions including the Cathedral of Santa Maria del Fiore (Il Duomo), Ponte Vecchio, Galleria dell'Accademia, and the Uffizi Gallery, which houses some of the most important works of the Renaissance, such as those by Leonardo da Vinci, Botticelli and Michelangelo.

Florence International Airport is easily accessible via a relatively short 25-minute drive and the main train station is only an 8-minute walk away. In addition, a new tramway service to connect the city centre to the airport was opened in February 2019 ⁽⁸⁾, which will further enhance the city's connectivity.

(6) Japan National Tourism Organization

(7) €40.6 million is the property price of H-REIT's effective interest of 95.0%. The vendors in relation to the acquisition were Cooperative Redwood Grove International U.A. and Galaren Invest B.V.

(8) The Florentine, "Tramline opens between city centre and Florence airport", 12 February 2019

OVERVIEW AND FINANCIAL REVIEW

YEAR IN REVIEW

A hospitality market with growth potential, Florence ranks amongst Italy's top most visited cities and is famed for its UNESCO protected old town, numerous museums and galleries, as well as its art and architecture. Total international visitor arrivals to Florence recorded a steady 2.2% CAGR from 2012 to 2017 ⁽⁹⁾. The city also has a strong fashion district where prime luxury brands including Roberto Cavalli, Salvatore Ferragamo, Gucci and Emilio Pucci are based in the greater Florence area ⁽¹⁰⁾. In addition, Florence has a vibrant exhibition and fair calendar, including the "Pitti Immagine Uomo" – a biannual international fashion exhibition which attracted more than 30,000 visitors in June 2018 ⁽¹¹⁾.

On the supply side, there is limited future room stock due to high barriers to entry stemming from new urban planning regulations prohibiting new hotel developments in the city centre ⁽¹²⁾.

The acquisition of Hotel Cerretani Florence is expected to benefit Stapled Security Holders through increased geographical diversification and securing a presence in the highly sought-after Florence market, while capitalising on low funding cost.

NURTURING FOR GROWTH

The Managers are continuously working with master lessees and hotel managers to enhance the quality of the assets of CDLHT under management with a view to increase value and returns to Stapled Security Holders.

Orchard Hotel, the largest hotel in CDLHT's Singapore portfolio, commenced on an extensive makeover project in 2018. Renovation works to refresh the lobby and upgrade its F&B outlets (Orchard Cafe and Bar Intermezzo) started in July 2018 and were completed in end 2018. All the meeting facilities and the Grand Ballroom are also being upgraded significantly and 260 bedrooms in Orchard Wing are undergoing a complete renovation in phases. These have started in end 2018, and are expected to complete in 1Q and 2Q 2019 respectively. After the 260 bedrooms are renovated, there will be a soft refurbishment of another 65 Signature Rooms, thereby rejuvenating the entire Orchard Wing.

As one of only four hotels in Singapore with a ballroom that can accommodate 1,000 or more guests, Orchard Hotel's standing will be further enhanced as one of the top few large ballroom venues in Singapore. The makeover exercise will also improve overall guest experience, augment Orchard Hotel's product offerings and strengthen its competition positioning in the market.



New Orchard Cafe, Orchard Hotel



New Bar Intermezzo, Orchard Hotel



New Deluxe Queen Room, Orchard Hotel

(9) Provincia di Firenze

(10) Hospitality Net, "In Focus: Florence, Italy", 13 March 2017

(11) Pitti Immagine Uomo

(12) JLL Hotel Intelligence Florence March 2018

In the Maldives, Dhevanafushi Maldives Luxury Resort is currently undergoing extensive enhancement works as well as pre-opening preparation for its relaunch as “Raffles Maldives Meradhoo” later in 2019, the first flagship “Raffles Hotels & Resorts” property in the Maldives. This will also elevate its product offerings in the high-end luxury segment of the Maldives market.



Thari Restaurant, “Raffles Maldives Meradhoo” (Rendering)



Raffles Spa, “Raffles Maldives Meradhoo” (Rendering)



Ocean Villa, “Raffles Maldives Meradhoo” (Rendering)

In Japan, 81 rooms in Hotel MyStays Asakusabashi and 53 rooms in Hotel MyStays Kamata underwent a soft refurbishment in early 2018 when demand was seasonally weaker, and three rooms at Hotel MyStays Asakusabashi were converted into a traditional Japanese design.



Modern Twin Room Sakura, Hotel MyStays Asakusabashi



Modern Twin Room Aoba, Hotel MyStays Asakusabashi

OVERVIEW AND FINANCIAL REVIEW

YEAR IN REVIEW

Over in United Kingdom, to reinforce The Lowry Hotel's position as one of the top hotels in Manchester, renovation of the Presidential Suite was completed in October 2018. The Presidential Suite is the largest accommodation in the region at above 180 sq m and this is an important feature for the entertainment business segment of the hotel.



Presidential Suite, The Lowry Hotel



Presidential Suite, The Lowry Hotel

STRONG CAPITAL STRUCTURE AND PRUDENT RISK MANAGEMENT

As at 31 December 2018, CDLHT's total borrowings stood at S\$1.0 billion with a gearing ratio of 34.2%. CDLHT is rated BBB- on the Fitch Issuer Default Rating and has an interest cover of 7.1 times for FY 2018.

To optimise risk-adjusted returns to Stapled Security Holders, CDLHT endeavours to balance an appropriate mix of debt and/or equity in financing acquisitions and adopts proactive interest rate management strategies by maintaining a higher percentage of fixed rate borrowings and the usage of interest rate swaps, where appropriate.

In 2018, CDLHT successfully refinanced three of its expiring loans. In April, the remaining bridge loan initially taken to fund the acquisition of Pullman Hotel Munich was refinanced into a €44.0 million 7-year fixed rate term loan, allowing CDLHT to lock in and capitalise on the low funding cost environment in Europe. In June, S\$120.0 million of medium term notes were refinanced into a 5-year fixed rate term loan and in December, S\$100.0 million of revolving credit facility with a 3-year tenure was renewed.

As a result of CDLHT's prudent management of debt profile, the average cost of debt remains low at 2.4% and floating rate risk remains well managed with the proportion of borrowings on fixed interest rates at 61.6% as at 31 December 2018. The weighted average debt to maturity is 2.8 years and debt maturity profile is well-balanced with more than two-thirds of total debt maturing from 2021 onwards. The Managers will strive to proactively minimise near term maturities.

CDLHT will continue to enhance financial flexibility by maintaining diversified sources of funding.

STAPLED SECURITY PRICE STATISTICS

CDLHT closed at a price of S\$1.460 per Stapled Security as at 31 December 2018. Since IPO, the Stapled Security's price has appreciated by 75.9%. In year 2018, the Stapled Security's price decreased by 13.6% from S\$1.690, the closing price as at 31 December 2017, largely in line with the decrease in the FTSE ST REIT Index. As at 1 March 2019, the Stapled Security's price was S\$1.610, an increase of 10.3% from the closing price as at 31 December 2018.

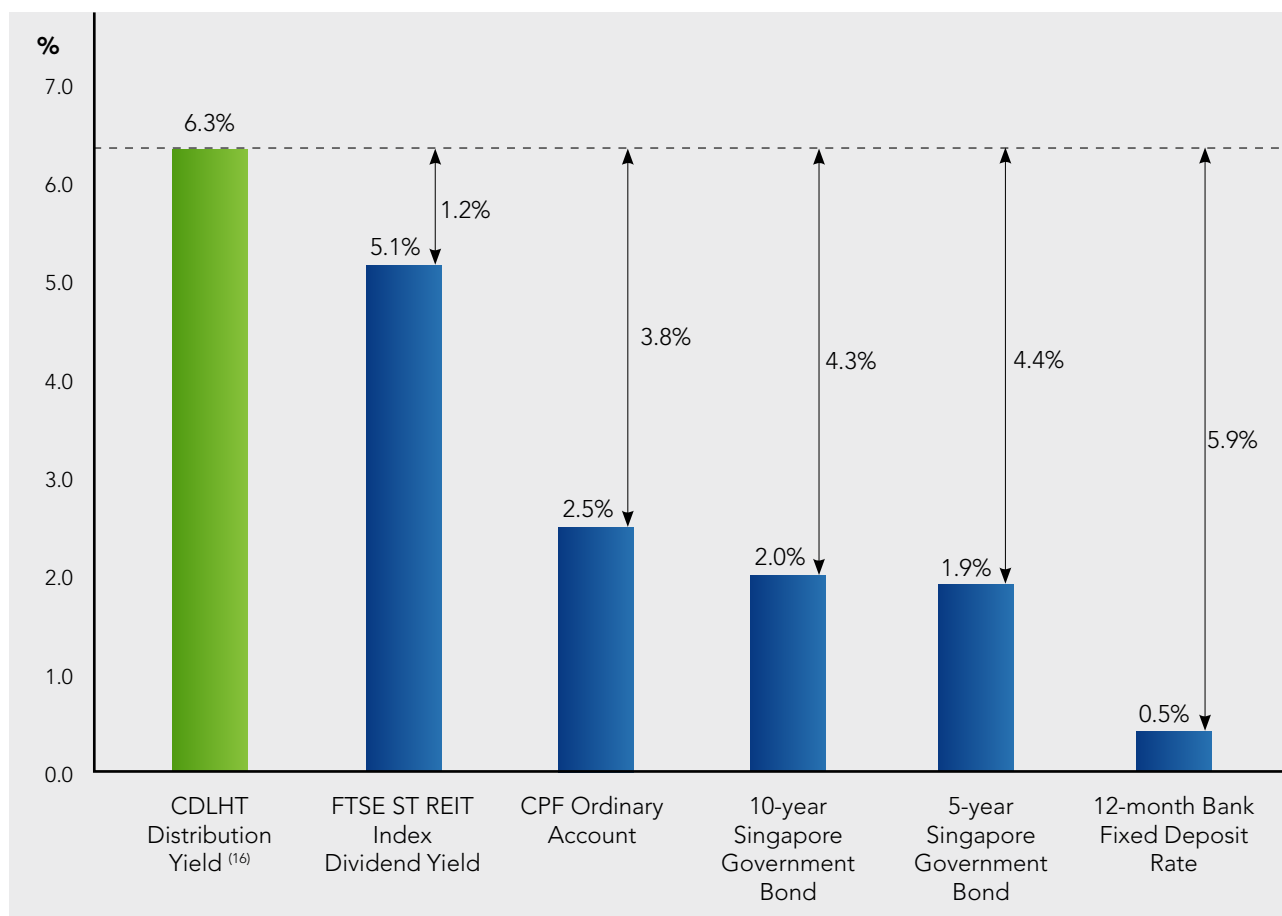
Assuming a unitholder held the Stapled Securities from IPO till 31 December 2018 and had the distributions been reinvested in the Stapled Securities of CDLHT on the day they were paid out, total return to the unitholder would have been 293.0%. On the same basis, the total return of the Stapled Securities would have been -8.6% in year 2018, as a result of a decrease in the Stapled Security's price.

SUMMARY OF STAPLED SECURITY PRICE STATISTICS

IPO as at 19 July 2006	S\$0.830
Closing Price as at 31 December 2017	S\$1.690
Closing Price as at 31 December 2018	S\$1.460
Highest Price in FY 2018	S\$1.830
Lowest Price in FY 2018	S\$1.440
Weighted Average Price in FY 2018	S\$1.639
Trading Volume in FY 2018 (Number of Stapled Securities)	540.9 million

RETURN ON INVESTMENT

	From 1 Jan 2018 to 31 Dec 2018	Since Listing on 19 Jul 2006 to 31 Dec 2018
Price Change	-13.6% ⁽¹³⁾	75.9%
Total Return ⁽¹⁴⁾	-8.6%	293.0%

DISTRIBUTION YIELD VERSUS OTHER INVESTMENT INSTRUMENTS ⁽¹⁵⁾

(13) Calculation of the price change is based on the closing price on 31 December 2018 compared with the closing price on 31 December 2017

(14) Total return comprises capital appreciation and assumes the distributions paid out during the respective periods are reinvested in the Stapled Securities of CDLHT

(15) All information as at 31 December 2018 and percentages may not add up due to rounding

(16) Based on CDLHT's DPU of 9.26 cents for FY 2018 and closing price of S\$1.460 as at 31 December 2018

MARKET REVIEW

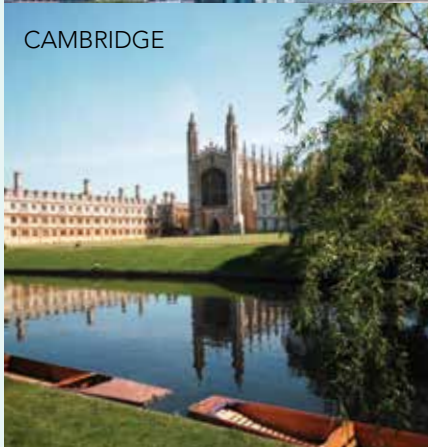
SINGAPORE



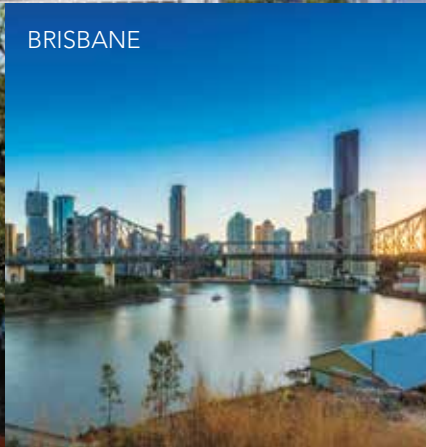
TOKYO



CAMBRIDGE



BRISBANE



PERTH



AUCKLAND



MALDIVES



MANCHESTER



MUNICH



FLORENCE



SINGAPORE HOTEL PROPERTY SECTOR

As of 1 March 2019



SINGAPORE TOURISM MARKET

International visitor arrivals to Singapore rose 6.2% yoy to 18.5 million for FY 2018. This robust growth was largely supported by higher visitor arrivals from key regions such as Southeast Asia, Greater China, and Europe. China (3.4 million), Indonesia (3.0 million), and India (1.4 million) were the top 3 countries of origin by number of visitor arrivals to Singapore.

Visitors from Southeast Asia rose 4.8% yoy to 6.5 million for FY 2018, buoyed by higher number of arrivals from Indonesia (+2.3%), Malaysia (+7.3%), Philippines (+5.7%), Vietnam (+11.3%), and Thailand (+2.7%). There were more international summits, such as the 32nd ASEAN Summit in April and the 39th ASEAN Inter-Parliamentary Assembly in September, leading to the higher number of arrivals from regional countries.

The increase in visitor arrivals from Greater China was largely from China (+5.8%) and Taiwan (+6.9%). STB has been collaborating with partners to attract visitors from China. For example, STB collaborated with Alipay to better engage visitors through digital channels. Through such sharing of data, STB can curate events and marketing initiatives that appeal to Chinese visitors.

Visitor arrivals from Europe also increased 11.3% yoy. There was greater awareness of Singapore as a safe and vibrant tourist destination after the Trump-Kim Summit and the well-received romance comedy film "Crazy Rich Asians".

Being a choice destination for quality events also boosted visitor arrivals, with about 15.0% of visitors coming into Singapore for business travel and meetings, incentive travel, conventions and exhibitions (BTMICE). Singapore was also named "Best BTMICE City 2018" by TTG Travel Awards in September 2018.

Despite strong growth in international visitor arrivals, tourism receipts from January to September 2018 only rose 1.1% yoy to S\$20.6 billion. This yoy growth was largely propelled by higher spending in Sightseeing, Entertainment & Gaming (+6.0%) and Other Components (+21.0%). However, lower expenditure in Shopping (-14.0%), Accommodation (-5.0%), and Food & Beverage (-4.0%) moderated overall growth in tourism dollars spent. A stronger Singapore dollar may have made Singapore a more expensive option for visitors from Philippines (-10.0%) and South Korea (-13.0%). In

addition, Singapore faces intensifying competition for the tourism dollar from neighbouring countries that could also have affected consumer travel sentiments and preferences.

According to STB, the outlook for the tourism sector remains favourable in the medium term. This is largely due to the growth in population belonging to the middle class in regional emerging countries such as Indonesia, Philippines and Vietnam. Additionally, the Southeast Asia economy is expected to expand at a faster pace. The Organisation for Economic Co-operation and Development expects the Southeast Asia economy to achieve an average GDP growth of 5.2% between 2018 and 2022. At the same time, the United Nations World Tourism Organisation projects international visitor arrivals to Asia and the Pacific to rise from 323.0 million in 2017 to 535.0 million in 2030.

STB continues to deepen their global marketing efforts in key countries such as Australia, China, Europe, India, Indonesia, Japan, Myanmar, South Korea, United States and Vietnam. Specifically, STB collaborated with strategic partners to launch the Passion Made Possible brand through targeted marketing campaigns across 16 markets. To engage industry players and enhance Singapore's profile as a F&B destination, STB also partnered with William Reed Business Media to produce a series of five "50 Best" events in Singapore. Other initiatives include driving new partnerships for the cruise industry and hosting world-class events.

In addition, STB leverages on technology to improve the experience for tourists and in evaluating tourism data. For example, STB rolled out the Tourism Information and Services Hub, which is the world's first integrated platform that allows stakeholders and consumers to contribute to and access Singapore travel-related offerings and services in real time. Alongside this initiative, STB also launched the Singapore Tourism Analytics Network to store, track and analyse visitor data to provide insights on consumer behaviour. STB also hosted the inaugural Tourism Innovation Challenges, where technology companies work with firms in the tourism sector to address pain points in the industry. Winners of these challenges were then awarded grants to help develop their ideas further.

Singapore continues to draw major MICE events, hosting the World Cities Summit, the International Luxury Travel Market Asia Pacific, and the Industrial Transformation Asia Pacific in 2018. Notable upcoming MICE events include IoT Asia 2019, eTail Asia, Aviation Festival Asia 2019 and Emtech Asia 2019.

MARKET REVIEW

SINGAPORE HOTEL PROPERTY SECTOR

As of 1 March 2019

EXISTING SUPPLY

Some 1,013 hotel rooms were added to the stock, bringing the estimated number of hotel rooms to 67,377 rooms. The increase in stock for whole of 2018 was low, considering that the annual increase in number of rooms averaged about 2,800 rooms from 2009 to 2018. In 2018, notable hotel openings include the Six Senses Duxton (49 rooms), Six Senses Maxwell (138 rooms), The Capitol Kempinski Hotel Singapore (157 rooms) and the Grand Park City Hall which reopened after refurbishment with an additional 157 rooms.

FUTURE SUPPLY

According to URA statistics for the fourth quarter of 2018, an estimated 3,313 new hotel rooms are expected to be completed between 2019 and 2023, bringing the future hotel stock to about 70,690 rooms by the end of 2023. Hotels slated to open in 2019 include the reopening of Raffles Hotel (115 rooms), The Outpost Hotel @ Sentosa (193 rooms), The Barracks Hotel (40 rooms), and Village Hotel Sentosa (606 rooms).

The supply of rooms in the pipeline remains low. The average annual potential completion of 663 rooms between 2019 and 2023 is lower than the 10-year average annual completion of 2,800 rooms between 2009 to 2018. However, more hotel rooms are likely to be added to the pipeline due to recent land sales. In November 2018, Waterloo Apartments was sold to Fragrance group via collective sales after the marketing agent submitted a proposal to change the property's zoning to hotel use. In January 2019, a hotel site at Club Street received 8 bids from various parties and was awarded to Worldwide Hotels Group's Midtown Development. Looking forward, Knight Frank anticipates keen interest for hotels and land parcels zoned for hotel development on the back of positive tourism data which will increase demand for hotel rooms.

HOTEL MARKET PERFORMANCE

Targeted marketing efforts by STB attracted higher international visitor arrivals and correspondingly supported hotel demand for 2018. According to STB, the island-wide standard average occupancy rate improved 1.2% yoy to 86.0% for FY 2018. Correspondingly, the overall ADR for gazetted hotels went up 0.9% yoy to S\$219 over the same period. The ADR for all segments improved yoy for FY 2018; with the yoy increase in ADR for various segments of hotel sector ranging from 0.2% to 2.4%.

With the improvement in occupancy rate and room rates, the RevPAR in FY 2018 rose to S\$189, up 2.4% yoy. RevPAR for all segments improved, with the luxury and economy segment growing 4.0% and 4.1% yoy respectively.

HOTEL MARKET OUTLOOK

With the expansion of the Southeast Asia economy and its growing middle class population, visitor arrivals are projected to increase. The STB has projected visitor arrivals to Singapore to increase between 1.0% to 4.0% in 2019. The increase in demand for rooms, coupled with limited upcoming supply of hotel rooms, should raise occupancy levels and room rates. Additionally, the stringent regulation of private residential properties for short term leases via Airbnb will preserve the rate and occupancy levels in 2019.

In 2019, we expect occupancy rates to remain healthy at a long-term average of 85.0%. Discerning visitors from tier 2 cities in key markets seeking value-for-money accommodations will drive demand for the economy hotel segment, while notable MICE events is likely to drive demand in the luxury, upscale and mid-tier hotel segments. As hotel operators seek to provide value-added services going forward, both island-wide ADR and RevPAR are expected to improve in 2019.

Nonetheless, the operating environment is expected to be competitive with the opening of about 1,250 hotel rooms from 2019 to 2020.

BRISBANE, AUSTRALIA HOTEL PROPERTY SECTOR

As of 1 March 2019



BRISBANE TOURISM MARKET

For the 12 months ended September 2018, there were 1,391,338 international visitors to Brisbane, equating to approximately 16.0% of total visitors to the Brisbane region, who spent 28,365,255 visitor nights in the region. Major source markets include China, New Zealand, United Kingdom, United States of America and Other Asia. The average length of stay by international visitors remains in excess of 20 nights. A major contributor to this growth came from working holiday visitors.

In the same period, Brisbane attracted 84.0% of the domestic visitors, equating to 7,160,098 annual visits and 21,291,000 visitor nights. Visiting friends and relatives and holiday visitors comprise the largest sectors by purpose.

HOTEL MARKET PERFORMANCE

According to the Australian Bureau of Statistics (ABS), the Brisbane City Core market recorded consistent demand growth over the ten-year period from 2001/02 to 2011/12. RevPAR increased over the period by a total 94.1% or an annual average of 6.9% per annum.

A series break occurred in 2012/13 when the ABS changed the geographic base upon which statistics are reported, resulting in a fall in the number of establishments included in the survey. There was a further break in the series in 2014/15 in which the ABS added a number of existing and new properties to their survey which resulted in a significant increase in the number of establishments included in the data.

Due to a reduction in corporate demand associated with a decline in the mining sector, as well as significant increases in hotel supply commencing in 2013/14, RevPAR decreased by 15.2% or an annual average of -5.4%, over the three-year period from 2012/13 to 2015/16.

Due the absence of ABS statistics we have referred to data provided by Smith Travel Research (STR Global) for accommodation statistics for the 2016/17 to 2018/19 financial years.

Statistics for the 2016/17 financial year, provided by STR Global, reflect a significant increase in rooms supply of 5.0%, however, data shows a similar positive increase in rooms demand of 5.2%. Occupancy increased by 0.2% for the 12 months ended June 2017, while ADR decreased by 6.1%, resulting in a decrease in RevPAR of 5.9%.

A number of major events and attractions in Brisbane during the first half of the 2017/18 financial year, resulted in a slight increase in ADR over the period of 0.6%, according to STR Global. However, we note that occupancy declined by 0.1% over the same period.

Statistics for the 2018 calendar year, provided by STR Global, reflect a significant increase in rooms supply of 7.2%, and an increase of rooms demand by 4.1%. Occupancy decreased by 2.8% in FY 2018, while ADR slightly decreased by 0.7%, resulting in a decrease in RevPAR of 3.5%.

EXISTING AND FUTURE SUPPLY

The Brisbane City Council announced a moratorium on infrastructure charges for new four and five-star hotel developments approved between 1 July 2011 and 30 June 2014, (where construction commenced within a 2 years of the approval) in a bid to incentivise new hotel supply.

As a result of the moratorium as well as renewed interest in the Brisbane hotel market, a significant number of new developments have been undertaken over the four-year period from 2014 to 2018. CBRE estimate that some 2,790 new three and four-star hotel rooms have opened over the period, whilst approximately 996 new five star rooms were also added to the market.

Further rooms under construction, outside of major projects, are expected to be relatively limited, over the short to medium term. An additional 164 room five-star hotel (Art Series Hotel) is anticipated to open in March 2019, associated with the Howard Smith Wharves project. Initial site works have commenced on the Hotel Indigo project in Fortitude Valley, expected to incorporate an extra 140 five-star hotel rooms opening in 2020.

The bulk of new hotel supply over the short to medium term will be generated by the major redevelopment of the Queens Street Wharf and Casino precinct, in which part of the project includes an estimated 850 hotel rooms and over 300 serviced apartments (although the exact number of hotels rooms is yet to be confirmed).

HOTEL MARKET OUTLOOK

The Brisbane City Council's vision outlined within its "Brisbane 2022 New World City Action Plan", aims to define the city's economic growth over the next seven years and beyond with the aim to establish Brisbane as the pre-eminent New World City by 2022. Brisbane is expected to benefit over the longer term from new development and the extensive range of investment projects and initiatives currently underway and planned.

While it is difficult to accurately forecast room supply, it is anticipated that supply will exceed demand during the short term resulting in relatively static occupancy levels.

We expect market room rates to stabilise over the short term followed by growth as a result of the quality of new product and increased demand. Strong growth is expected in RevPAR from 2020 to 2021. In 2022, hotel development proposed as part of the Queens Wharf project is likely to open. The impact on the market will be dependent upon the number of hotel and serviced apartments included in this development.

MARKET REVIEW

PERTH, AUSTRALIA HOTEL PROPERTY SECTOR

As of 1 March 2019

**PERTH TOURISM MARKET**

For the 12 months ended September 2018, there were 909,753 international visitors to Perth, equating to approximately 16.5% of total international visitors to the Experience Perth region, who spent 20,753,443 visitor nights in the region. Major source markets include United Kingdom, China and India. The average length of stay by international visitors remains in excess of 22 nights.

In the same period, Perth attracted 43.0% of the domestic visitors to Western Australia, equating to 4,618,284 annual visits and 15,839,832 visitor nights. The length of stay is lower than other states, at 3.4 days, due to the fly-in fly-out nature of the mining sector associated with Western Australia.

HOTEL MARKET PERFORMANCE

The Perth market has, for the past decade, enjoyed very strong business orientated demand which saw most of the city running at 90.0% plus occupancy levels mid-week; however, weekend demand, which is typically leisure based, produced substantially reduced average occupancy levels. During this time, the limited new room supply and consistently strong demand levels produced record high occupancy levels and average room rates.

The slowdown in exploration and mining production, which became obvious in late 2013 and continues to the current date, has taken the accommodation market off the boil. The slowing of room demand from the mining & exploration sectors of the market has detrimentally affected ADR levels. It has however provided the market with new opportunities in respect of broadening the tourism business mix with airlines, hotels, wholesalers etc. now actively targeting the leisure, groups and events segments. However as these are lower yielding segments, this is reflected in the ADR decline in recent times.

The most recent published ABS data is to June 2016. Due to the absence of ABS statistics we have referred to data provided by Smith Travel Research (STR Global) for accommodation statistics for the 2016/17 financial year.

Statistics for the 2018 calendar year, provided by STR Global, reflect a significant increase in rooms supply of 6.3%, and an increase of rooms demand by 4.4%. Occupancy decreased by 1.8% in FY 2018, while ADR decreased by 1.7%, resulting in a decrease in RevPAR of 3.5%.

EXISTING AND FUTURE SUPPLY

The Perth hotel market has enjoyed a relatively stable supply for a number of years. This has begun to change with several hotel developments recently completed and a number of other projects currently under construction. In addition, there are a large number of hotel / serviced apartment developments mooted to be undertaken over the coming five-year window.

New supply completed within the City of Perth in 2016 includes Quest Perth (130 keys), Quest Mounts Bay Road (71 keys), Peppers Kings Square (120 rooms), Sage West Perth (95 rooms), Tribe Hotel (126 rooms) and Intercontinental Perth (240 rooms). New supply completed in 2018 includes the Melbourne Hotel (73 rooms) and the Westin Perth (368 rooms).

Whilst there have only been some 800 additional rooms added in recent years, there are a further 2,000 plus rooms currently under construction and another 2,000 or more mooted to be undertaken over the coming five-year window. Whilst a number of these will ultimately fail to proceed there is little doubt that the market is about to be flooded with new supply, much of which is in the five-star sector. This could have a notable impact on occupancy levels across the board and a softening of rate as new products compete for demand and the older products struggle to remain attractive in comparison.

HOTEL MARKET OUTLOOK

In our view, occupancy levels will be maintained in the low/ mid 70% range over the medium term as a consequence of the new supply, with the ADR growth anticipated to be limited.

Notable factors that will have a notable impact on the market will be the opening of the new Perth Stadium and the plans of Qantas flying direct from Perth to London. There is sense of optimism that these demand generators can provide a notable lift in room demand in Perth and hopefully assist in absorbing the increase of available room nights.

In our view, 2021 marks the start of a growth period in the Perth Hotel Market cycle. New supply is anticipated to moderate considerably whilst the marketing initiatives should be driving stronger visitation in the Perth market. Longer term economic commentary suggests that major export destinations such as China, India & South Korea will support a strengthening of the mining and resources sectors of the Perth economy providing a further stimulus to the hotel market.

AUCKLAND, NEW ZEALAND HOTEL PROPERTY SECTOR

As of 1 March 2019



AUCKLAND TOURISM MARKET

The wider New Zealand hotel market continues to exhibit strong performance on the back of yet another record breaking year in inbound international visitation numbers, with over 3.9 million visitors in 2018 an 3.5% increase on the previous year (2017). There was strong growth in visitor arrivals from China and U.S.A (7.3% and 6.6% respectively); however, arrivals from the UK reduced approximately 4.9% on 2017 levels, predominantly due to a spike in 2017 following the British & Irish Lions rugby tour which occurred in June and July of that year.

With international tourism numbers forecast to continue to grow at 4.6% p.a. reaching 5.1 million by 2024, coupled with healthy levels of domestic demand underpinned by robust economic growth and high net migration; the New Zealand hotel sector is well placed to remain one of the top performing assets classes over the short/medium term.

Auckland is New Zealand's tourism gateway hub with over 70% of all international visitors to the country entering via Auckland International Airport (AIA) each year. In the 2018 calendar year there were approximately 19.9 million passenger movements through AIA of which 10.4 million (circa 51%) were international. The total passenger movements in 2018 represent a circa 5.1% increase on the 2017 performance.

AUCKLAND HOTEL MARKET PERFORMANCE

Following an event packed 2017 which included a number of large one-off events (World Masters Games, British & Irish Lions rugby tour), the Auckland market softened in 2018 with RevPAR reducing by 5.1% in the 12 months to December 2018 to NZ\$172.13. ADR for wider Auckland 3 to 5 star hotel market eased 1.7% in 2018 to NZ\$206.36 while at the same time occupancy reduced three percentage points to 83.4%. We highlight however with the exception of 2017, trading levels for Auckland hotels remain a record levels.

EXISTING AND FUTURE SUPPLY

The Auckland 3 to 5 star hotel market has a total of 9,909 guest rooms contained within 76 hotels as at December 2018. On the back of strong trading conditions, development activity has increased over the past 24 months with a further approximately 2,000 rooms currently under construction and due for completion by the end of 2022. This represents circa 20% of current stock or approximately 5% p.a. an increase on historical levels where prior to 2017 the Auckland market received minimal new hotel inventory.

We provide below a summary of some of the more significant projects currently under construction in the Auckland market.

- **Horizon Hotel.** A 5-star, 303 guest room hotel is currently being constructed in conjunction with the New Zealand International Convention Centre. The hotel is being developed by SkyCity Entertainment with estimated completion in early 2020.
- **Park Hyatt Auckland.** Located within the Wynyard Quarter on Auckland's Waterfront, Chinese developer Fu Wah is currently constructing a 195 room, 5-star hotel which is due to be completed in late 2019.
- **Travelodge, Halsey Street.** Construction has recently commenced on a 154 room Travelodge in Auckland's Wynyard Quarter. The hotel is being developed by Infratil and is anticipated to be completed by 2020.
- **QT Auckland.** In October 2018, Australian company Event Hospitality & Entertainment (EVENT) in conjunction with property owners Russell Property Group and Lockwood Property Group announced that a new 150 room QT Hotel is to be developed within a former office building at 4 Viaduct Harbour Ave and completed in early 2020.
- **Holiday Inn Express / Even hotel.** In mid-2017 it was announced that a development company from Australia had acquired a site within Auckland's CBD and are to develop a 38 level building providing 500 rooms under IHG's Holiday Inn Express and Even hotel brand with completion estimated in late 2020/21.

A number of proposed hotel developments have also been announced, however, a large number of these projects have yet to commence construction. Despite the heightened hotel development activity, these projects are faced with the implementation of the Auckland Council targeted rate on commercial accommodation and high land and construction costs, together with delays in the consent process and ongoing constraints in the construction sector. We may, therefore, see the delay or deferment of many of these projects, resulting in a limited number of new hotels being delivered until post 2022, with demand still expected to outpace supply in the short/medium term.

With the number of rooms currently under construction within the Auckland market together with the number proposed, we are now expected to meet the 4,000 rooms which were noted as being required to satisfy demand by 2025 in the "Project Palace" report prepared by NZ Trade and Enterprise, Tourism New Zealand and Ministry of Business Innovation and Employment.

HOTEL MARKET OUTLOOK

Looking ahead, with sustainable levels of new supply entering the New Zealand market in the short/medium term and the completion of the New Zealand International Centre (NZICC) in mid 2020, which is expected to attract 33,000 delegates annually, the Auckland hotel sector remains well poised to take advantage of a range of strong demand drivers moving forward, including major high profile events such as the America's Cup and APEC summit in 2021.

We anticipate as a result of the above coupled with new supply, occupancy levels in the wider Auckland 3 to 5 star hotel market to stabilise at circa 80% while ADR with continue to improve particularly in late 2020 and 2021, however following this growth will be at more modest levels that has been achieved in the recent past.

MARKET REVIEW

MALDIVES HOTEL PROPERTY SECTOR

As of 1 March 2019

**MALDIVES TOURISM MARKET**

The number of international visitor arrivals has witnessed steady growth over the last decade since 2008, with a CAGR of 8.1%. Despite being vulnerable to endogenous and exogenous shocks such as GFC in 2009 or the Maldives tsunami disaster in 2004, Maldives tourism rebound had been quick and it continues to be a popular destination amongst tourists.

The tourism sector is the largest contributor to the Maldives' GDP over the last decade. The sector accounted for approximately 24.3% for full year 2017 and 23.8% for YTD September 2018 to the country's GDP, based on 2014 constant prices. It represented a yoy increase of 10.3% compared to 2016. Continual efforts have been made by the Maldivian government in 2018 to promote Maldives as key destination such as promotional campaign that was held in Russia during FIFA World Cup 2018 between Cabvertising Europe and Ministry of Tourism Maldives, increasing flight connectivity to new destinations as well as conducting trade fairs in countries like Japan, China and Switzerland.

For full year 2018, Maldives welcomed a total of approximately 1.48 million international visitors, a yoy increase of 6.8% over the preceding year. It is mainly dominated by the European market which accounts for 48.9% of the total market share, followed closely by Asia with 39.1%. The number of Chinese tourists have been declining since 2014 with 2018 seeing a total of approximate 283,000 visitors, a yoy decline of 7.6% as compared to the preceding year. It is likely due to the slow growth in the China's economy.

In contrast, European markets like Russia, Italy and France saw a robust growth rate of 14.5%, 18.5% and 19.1% respectively over the preceding year. This has reflected the effectiveness of marketing efforts made by the Maldivian government to attract more European guests to the market.

EXISTING SUPPLY

According to Maldives Monetary Authority (MMA), the total number of operational beds in the Maldives averaged at 41,877 beds for 2018. The number of beds saw an increase of approximately 3,300 beds or a yoy increment of 8.5% over the same period in 2017. The rate of growth has grown at a CAGR of 8.2% between 2007 to 2017 and has been accelerating in the past five years, from 4.2% yoy growth in 2013 to 8.5% yoy growth in 2018.

Some key openings in 2018 include Fairmont Maldives Sirru Fen Fushi, Westin Maldives Miriandhoo Resort, Mövenpick Resort & Spa Kuredhivaru Maldives and JOALI Maldives.

FUTURE SUPPLY

There are approximately 35 new resorts with approximately 5,719 rooms or more than 7,150 new beds, opening across Maldives for the next four years till 2022. The new supply will be a good mixture of international and local Maldivian brand operators. In 2019 and 2020, the new supply will represent 9.9% and 1.7% of the existing operational bed capacity in 2018 respectively.

Some of the upcoming key openings in the market will include JW Marriott Maldives Resort & Spa Vagaru, LUX* North Malé Atoll and InterContinental Maldives Maamunagau Resort. In addition, phase one of Crossroad Maldives located at Emboodhoo Falhu Lagoon, an integrated development by Thailand based developer Singha Estate is envisioned to open in Q1 2019. It will feature Hard Rock Hotel and SAii Lagoon Maldives (Curio Collection by Hilton) and an unnamed resort.

Dozens of uninhabited islands being leased to both local and foreign resort developers have led to influx of supply in the past two years. This has prompted the Maldivian government to relook at their structure and have recently announced to have a slowdown in leasing of islands for resort developments in February 2019. With the slowdown in leasing of islands, we do expect the rate of supply growth to slow down in medium to long term.

HOTEL MARKET PERFORMANCE

Trading conditions in the Maldives tourism sector have appeared to be tough in the past years with ADRs and occupancy levels declining since year 2015. This is due to emergence of a number of challenging headwinds that led to continual decline of Chinese visitors and influx of supply.

According to MMA, market occupancy stood at 69.7% in 2014 before hitting an all time low of 61.0% in 2017 where a total of 4,790 beds were added into the pipeline in that year. For full year 2018, the occupancy levels took a rebound, hitting 62.0%, signifying a 100 basis point yoy increment over 2017.

However, ADR, on the other hand, have not been keeping in pace with the occupancy growth. According to STR Global, which captures the overall market performances for mostly properties in the upper upscale and luxury segment, Moving Annual Total (MAT) December 2018 registered an ADR of US\$600.66, a yoy decline of 0.7%. This trend is likely to be attributed to several factors such as increased supply, rising demand of budget travellers as well as a growing middle class in Asia. In view of the influx of supply, there might be a trend of properties suppressing ADR levels to increase occupancy and build customer base, explaining the dip in ADR levels.

HOTEL MARKET OUTLOOK

In order to maintain the competitiveness of Maldives, the government is committed to promote Maldives as a luxury tourism island destination. The budget allocated for promotion and marketing of tourism in 2019 is approximately MVR157 million, which is three times the amount of budget allocated for 2018. Marketing efforts include a collaboration with US-based news network CNN and nature network National Geographical Channel (NGC) to expand Maldives's tourism industry throughout the globe. In addition, apart from holding traditional roadshows in other markets, Maldives Marketing and Public Relations Corporation (MMPRC) stated is also focusing on developing strong online platforms and utilizing social media to reach a wider audience. We expect that increased marketing campaigns to improve the medium to long-term prospects of the Maldives.

Despite recording robust visitor arrival growth as of 2018, we forecast occupancy levels in the market to experience a slight dip in the coming year in view of influx of supply. Occupancy levels are expected to see a rebound in year 2020. We expect room rates to remain stagnant in 2019 until occupancy show clear signs of recovery in 2020.

TOKYO, JAPAN HOTEL PROPERTY SECTOR

As of 1 March 2019



TOKYO TOURISM MARKET

Since the number of inbound visitors to Japan first exceeded 10 million in 2013, the year of 2018 marked another milestone with a record high of 31.2 million (up 8.7% yoy), which was more than triple (about 3.7 times more) of that of 2012 especially after the 2011 Great East Japan Earthquake. There are some background factors such as the significant relaxation in visa requirements; expansion in consumption tax exemption system; the increase in air seat supply volume and Low-Cost Carriers ('LCC') airlines; the growing Asian middle income class with affluence to travel abroad; the increased affordability to travel to Japan due to the depreciation of the yen; the designation of Mt. Fuji as a Cultural World Heritage Site and Washoku (Japanese cuisine) as an Intangible Cultural World Heritage; and the publicity of Japan as the host country of the 2020 Tokyo Olympic and Paralympic Games. Despite economic and political uncertainties, the tourism sector in Japan is likely to continue its upward trend in light of the growing world tourism market.

Looking at the number of foreign tourists to Japan by nationality and region for 2018, Asian visitors represent 84.6% of the total number, and the ratio of Asian visitors has been strengthening its momentum every year. Visitors from China recorded 8.4 million (up 13.9%) in 2018. South Korea ranked in the second place with 7.5 million visitors (up 5.6%), followed by Taiwan at the third with 4.8 million visitors (up 4.2%). The growth momentum of the inbound tourists is robust with an increase of 8.7% in 2018. While the number of inbound tourists has increased by 3.7 times compared to 2012, this is particularly evident in Asian visitors, with 4.1 times increase.

The Japanese government has a target of 40 million foreign tourists by 2020 and 60 million by 2030 and with the growth momentum, it is expected that the government target of 40 million tourists will be achieved before 2020.

According to the survey by the Bureau of Industrial and Labor Affairs in Tokyo, the total number of visits to Tokyo including tourists exceeded 546.9 million people from April 2017 to March 2018. Among them, domestic Japanese tourists increased by 3.6% yoy to 533.0 million people and foreign tourists increased by 5.5% yoy to 13.9 million people, showing an upward trend for both categories.

The spending amount by tourists (tourism consumption) to Tokyo from April 2017 to March 2018 increased by 4.9% yoy, reaching approximately 5.9 trillion yen, out of which 1.2 trillion yen (+7.6% yoy) was contributed by foreign tourists. The spill-over effects by tourism consumption onto Tokyo's economy increased by 2.3% yoy, to 11.3 trillion yen. The latest value for tourism consumption (January to March 2018) was 1,434 billion yen, a 6.4% yoy increase, of which 273 billion yen (+8.5% yoy) was contributed by foreign tourists. Given the steady recovery of the domestic economy on top of the upcoming 2020 Olympic Games, this trend is expected to continue.

HOTEL MARKET PERFORMANCE

Domestic trends of the annual total number of guests based on the data by Japan Tourism Agency are as follows: the total number of guests who stayed in hotels in 2018 was 509.8

million, reflecting an increase of 2.4% yoy. Among them, foreigners occupied 17.4% with an increase of 13.6% yoy.

In 2017, the top three nationalities are China, Taiwan and South Korea, which collectively account for approximately 55% of the total guest number staying in hotels. Reviewing the trends by nationality, Italy (29.7% yoy), France (22.5% yoy) and India (21.3% yoy) have shown significant growth. The order of the top ten countries remained the same as the previous year with all countries showing an increase on a yoy basis.

The occupancy rates of basic business hotels (or budget hotels) across Japan and in Tokyo from December 2017 to November 2018 were 75.3% and 84.7% respectively, compared to 75.4% and 84.8% from December 2016 to November 2017. Both showed an improvement since last year, proving that a steady trend of recent hotel occupancy rates is not only the case in Tokyo but also nationwide, due to the great improvement in recent growth of the inbound tourism market.

The accommodation unit price index, which had once reached its peak in 2007, had turned downward. However, the trend has reversed since 2011 and is now showing uptrend again. With the improved inbound tourism, the demand for accommodation facilities has picked up rapidly. Again, this trend is expected to continue in the future.

EXISTING AND FUTURE SUPPLY

Based on the latest data by Ministry of Health, Labour and Welfare, the number of hotel rooms and Ryokan rooms (Japanese traditional style rooms) in Tokyo as of March 2018 (latest figure) stands at around 169,200, which represents a yoy growth of around 9.3%.

On the other hand, based on business journals available, it was announced that approximately 22,200 hotel rooms and Ryokan rooms are planned for opening in Tokyo by 2022. For example, "APA Hotel & Resort" with 1,111 rooms in Sumida-ku, Tokyo and APA Hotel Roppongi Hotel block development with 859 rooms in Minato-ku, Tokyo are scheduled to open in the spring and summer of 2020 respectively.

HOTEL MARKET OUTLOOK

The number of hotel development projects are increasing at an accelerating pace as a result of the increase in daily rate of hotel rooms, which was backed by the rise in the occupancy rate due to the growing demand of inbound tourism. In the three major tourism markets, Tokyo, Osaka and Kyoto, new supply of hotel rooms is expected throughout 2019 to 2022 or further beyond. The expected growth rates of the regions are 20%, 20% and 32% respectively, compared to the existing numbers of rooms as at March of 2018 (latest figure). It is also expected that there will be new supply of hotel rooms in regional cities (Sapporo, Nagoya and Fukuoka) and their expansion rates are 18%, 31% and 30% respectively, compared to the existing numbers. Under these contexts, although there is a concern over the supply influx, it is perceived that the number of rooms might be insufficient even after new supply comes in.

The trend of the growing demand of inbound tourism is not only in Japan but also found in worldwide. Especially among them, the demand of inbound tourism from Asia Pacific Region exceeds those from the United States of America, and such gap has been enlarged year after year. It is expected that these trends will continue even after the Olympic and Paralympic Games in 2020, and the expansion of the demand for hotels in Japan from Asia Pacific Region, is also expected to be strong.

MARKET REVIEW

CAMBRIDGE, UNITED KINGDOM HOTEL PROPERTY SECTOR

As of 1 March 2019

**CAMBRIDGE TOURISM MARKET**

Cambridge is well known for its university, which is consistently ranked as one of the top five in the world. The University has campuses spread throughout the city and comprises the renowned Cavendish Laboratory, King's College Chapel, and the Cambridge University Library. Cambridge's current position as one of the leading locations in the world for research and development (R&D) is attributed to the proximity of the University, providing a high calibre workforce and an established research base.

Cambridge's research and development sector encompasses a wide variety of companies, working in biotechnology, pharmaceuticals, electronic and software engineering and information technology. The cluster of high tech industries and science parks in Cambridge resulted in what was labelled the 'Cambridge Phenomenon' and the area around Cambridge has become known as 'Silicon Fen,' an analogy to 'Silicon Valley' in California. Many of the science parks, mainly related to software and bioscience, include Cambridge Science Park, Cambridge Business Park and Cambridge Biomedical.

Inbound visitors to Cambridge amounted to 519,000 in 2017, according to VisitBritain. This is a 4.2% increase compared to 2016. The whole Cambridgeshire region saw slightly more visitors flock to the area at 696,000 in 2017. Total expenditures amounted to £266.5m. The majority of visits was to visit family and friends (36.22%) while holidays follow as reason number two at 30.2% and business trips at 26.49%.

Local Economy

According to the UK Census 2011, the city's population was 123,867 with circa 24,500 students.

The Public Sector is the largest source of employment in the city. The University is the largest single employer, with circa 9,000 staff along with the Cambridge University hospitals employing circa 7,000 people. A number of high profile medical research institutes are based in the city, namely Cancer Research UK with over 800 staff. In addition, a large number of firms provide professional expertise or technical support to the many start-up companies that characterise Cambridge's economy. Major employers include Deloitte, Microsoft, PwC, Grant Thornton, Brossard De Bayle and Throgmorton Private Capital.

Tourism is a key industry for Cambridge and generates over £350 million for the local economy. Cambridge is renowned for its history, architecture and cultural appeal and is one of the UK's principle tourist locations, for both domestic and overseas visitors. As a university city, Cambridge has a thriving culture, including the famous Midsummer Fair that dates to 1211, the Cambridge Folk Festival and the Cambridge Shakespeare Festival.

HOTEL MARKET PERFORMANCE

Hotel performance in Cambridge saw continuous RevPAR growth over the last four years, driven by ADR. Occupancy decreased by 1.8% between 2016 and 2018, however, RevPAR stayed positive throughout due to the growth in ADR, which increased by 3.8% year on year. As a result, RevPAR increased continuously. 2018 alone reflects RevPAR growth by 4.1% to £76.59.

EXISTING AND FUTURE SUPPLY

The Cambridge hotel market currently consists of 51 hotels accounting for 3,474 bedrooms. The majority of bedrooms are made up of upper upscale hotels (30.2%) with budget hotels following at 26.9% market share.

The last five years saw a total of three hotels with 400 bedrooms enter the market. The last hotel opening in Cambridge was the 155bedroom O'Callaghan The Tamburlaine in 2017.

The next two years foresee another four hotels with a total of 651 bedrooms enter the local market.

2020

- Cambridge Curio Collection by Hilton – 162 keys
- Novotel Cambridge North Station Science Park – 217 keys

2021

- Adagio City Aparthotel Cambridge Station – 122 keys
- Hyatt Centric Cambridge – 150 keys

HOTEL MARKET OUTLOOK

With limited supply growth in upcoming years and a continuously well performing market, we expect the Cambridge market to expect further growth.

An ever-increasing number of inbound tourists as well as many events scheduled in 2019 will further support growth in Cambridge.

MANCHESTER, UNITED KINGDOM HOTEL PROPERTY SECTOR

As of 1 March 2019



MANCHESTER TOURISM MARKET

Manchester is a city with a rich and diverse cultural landscape. It is particularly known for its music scene and is home to Manchester Arena, the largest arena of its type in the UK and the second largest in Europe. It also has a thriving performing arts scene with a number of large venues including the Manchester Opera House, The Palace Theatre, The Lowry and the Royal Exchange Theatre.

The city has two football clubs in the Premier League – Manchester City and Manchester United. Manchester is also home to the National Cycling Centre including a velodrome and BMX arena. Lancashire CCC plays at Old Trafford Cricket Ground.

According to VisitBritain, inbound visitor numbers saw 1.3 million tourists flock to the city in 2017, an increase of almost 11% compared to the same period the previous year. When including the Greater Manchester area, inbound visitor numbers rise to 1.5m for 2017 with total expenditures at £779.7m. The main reason for visits was visiting friends and family (31.1%) while business trips follow closely behind (28.2%). Holiday trips only follow in third place at 24.9%.

Local Economy

Manchester has a highly diversified economy as a centre for cultural industries, retail, financial and manufacturing. A number of globally trading firms are also based in Manchester such as Umbro and The Cooperative Banking Group. Furthermore, other international companies have their UK headquarters based in Manchester such as Kellogg's Company, Adidas and Siemens. The movement of the BBC to Manchester signalled the beginning of MediaCity UK, a development by Peel Media and is now home to several media companies including ITV Granada and the University of Salford's media-related teaching and research. This has hugely increased the employment in this sector since.

Manchester's strong national and international communication links and access to a large knowledge pool has attracted a number of top employers to the area and is recognised as a hub for business in the North West. The city hosts a number of conferences and business events which attracts more than five million delegates annually.

The numerous attractions in the city and the two Premier League Football clubs have transformed Manchester into a major tourist destination generating approximately £5.8 billion annually.

HOTEL MARKET PERFORMANCE

2017 saw RevPAR in Manchester being relatively static at £65.27. It has been declining slightly over the last two years by 1.5% and 0.6% in 2017 and 2018 respectively. The market was also impacted by the terrorist attack at Manchester Arena in May 2017. In addition, 2017 saw close to 840 hotel rooms added to the market and an additional 800 in 2018 which need to be absorbed:

2017

- CitySuites – 235 keys
- easyHotel Manchester – 115 keys
- Motel One Manchester Royal Exchange – 302 keys
- StayCity Serviced Apartments Manchester Piccadilly – 182 keys

2018

- AC Hotel Manchester City Centre – 172 keys
- Crowne Plaza Manchester Oxford – 212 keys
- Hotel Indigo Manchester Victoria Station – 187 keys
- Roomzzz Manchester Corn Exchange – 114 keys
- Staybridge Suites Manchester Oxford Road – 116 keys

Consequently, ADR declined marginally 1.1% during 2018 leading to a decline RevPAR of 0.6% to £64.85.

EXISTING AND FUTURE SUPPLY

The Manchester hotel market for the city centre currently counts 86 hotels accommodating 10,624 bedrooms. The majority of rooms can be allocated to the upscale hotel sector (28.5%) with the upper midscale (22.3%) and budget sector (19%) closely following.

The city has witnessed relatively strong supply growth over the last four years with 17 hotels added to the market, 9 of which were added in the last two years. New hotels entering the market have included Motel One Manchester Royal Exchange, easyHotel Manchester, AC Hotel Manchester City Centre and Hotel Indigo Manchester Victoria Station amongst others.

HOTEL MARKET OUTLOOK

There is also a strong pipeline of new supply proposed in the city with 9 hotels due to enter the market in 2019 and a further 8 hotels due to enter the market in 2020 and 5 in 2021. The new supply includes another Motel One, Hampton by Hilton, Clayton Hotel and the Native Manchester London Warehouse amongst others.

With a strong pipeline of hotels entering in 2019 – 2021, trading conditions are likely to remain competitive with the number of new bedrooms needing to be absorbed in the market. The total confirmed pipeline amounts to over 3,400 bedrooms of which the majority are serviced apartments at 32.5% of total pipeline projects. It is followed by 4-star hotels (32.1%) and hotels in the economy scale at 19.2%. There are no luxury hotels confirmed to be delivered in the next few years.

MARKET REVIEW

MUNICH, GERMANY HOTEL PROPERTY SECTOR

As of 1 March 2019



MUNICH TOURISM MARKET

Munich is home to a diversified mix of sectors including high-tech industries, traditional production, information and communication technology, automotive engineering, medical engineering, environmental technology and finance, all of which are strong business demand generators. It also has a very robust trade fair market, with established trade fair infrastructure including Messe Munich, the fifth largest trade fair center in Germany in terms of exhibition space. While 2017 was not as strong as 2016 in terms of trade fairs, Munich Trade Fair reported that approximately 1.9 million visitors attended fairs hosted both in Germany and abroad. In 2017, the number of events held at the trade fair grounds remained relatively stable at around 200. 2018 was a weaker trade fair cycle without BAU and Bauma. However, in 2018, new fairs such as the 'COMMAND CONTROL' in September, 'FUSION' in October and 'ISPO Digitize' helped to maintain demand levels. The most important trade fairs in Munich include 'BAU' (biennial / next in January 2021), 'Bauma' (every three years / next in April 2019), 'Expo Real' (annual / next in October 2019) and 'ispo' (annual / next in January 2020).

As an important business hub and trade fair destination within Germany, as well as a popular tourism destination renowned for its sporting and cultural appeal, demand in Munich continues to grow. Following a small dip in 2016 (-0.1% in overnight stays to all establishments), 2017 figures showed that demand in Munich is as strong as ever with more than 7.8 million arrivals and a record high of 15.7 million overnight stays to all establishments, which represents a year-on-year increase of 10.3% and 11.6% from 2016 respectively. Cumulative figures for November 2018 show continued growth in demand with overnight stays up by 9.7% and arrivals up by 6.8%.

Demand to Munich is relatively well balanced between domestic and international travellers as detailed above. Among the top ten international source markets, Russia registered the largest increase in overnight stays in 2017 compared to the previous year (+37.1%) and +2.8% in year-to-November 2018. Economic factors that led to a decrease in Russian overnight stays in 2016 have improved, which resulted in the double-digit recovery of demand generated by Russian travellers. The largest international source market year-to-November 2018 was the United States with around 1.1m overnight stays (+16.1%) followed by the Arab Gulf States (~536,200 overnight stays), the United Kingdom (~530,500 overnight stays) and Italy (~510,900 overnight stays).

Similar to hotel demand, airport arrivals recorded a new peak in 2018. Passenger numbers grew by 3.8% from 2017, amounting to 46.2 million. Growth in 2018 was due to Lufthansa's new flights to Los Angeles, Hong Kong and Beijing as well as Singapore with new A380 and A350 aircrafts. Munich airport opened a new building in Terminal 2 in April 2016. This terminal extension allows an additional 11.0 million passengers to travel through Munich annually due to the addition of 52 gates. Despite the strike-related disruptions in 2016, which caused the cancellation of 3,000 flights to and from Munich, the airport still outperformed 2015 levels. Additionally, Terminal 2 has been named world's best terminal by Skytrax in March 2017.

EXISTING AND FUTURE SUPPLY

As of November 2018, Munich's hotel market comprised an estimated 401 hotels and hotel garnis with a total of ~75,800 beds. This represents an increase of 5.0% and 9.7% respectively on YTD November 2017 levels. 2017 was an extraordinary year in terms of supply increase. Although hotel openings are not as frequent as in 2017, 2018 saw the addition of another ten hotels with around 1,400 rooms. The most recent openings include the Hyperion Bogenhausener Tor, the Motel One Riem Arcaden and the dual-branded Hampton by Hilton & Hilton Garden Inn Munich City West.

Currently there are 35 confirmed hotel developments in Munich's pipeline, of which 17 are scheduled to open in 2019. The biggest supply contributor in terms of rooms is the economy segment, while the rest are rather evenly distributed across all segments. The following branded hotels are new to the market and are currently under construction: Andaz Hotel, niu Hotels and the Rosewood Hotel.

HOTEL PERFORMANCE

Munich is generally able to realize the highest ADR in Germany out of the top five hotel markets. Occupancy declined slightly in 2016 as a result of the refugee crisis, the attacks at the mall in Schwabing in July and consequently a slow start to Oktoberfest. However, demand recovered in 2017 with overnight stays in Munich increasing by 11.6% compared to 2016. Despite the increase in overnight stays, ADR recorded a decrease of 8.1% on 2016 levels and Occupancy fell by 0.4% compared to the previous year due to a weaker trade fair year in Munich. RevPAR consequently fell by 8.6% in 2017 compared to the previous year mainly driven by a drop in rate. Year-to-June 2018, RevPAR decreased by 1.6% to €82.30 from the same period in 2017. This is the result of lower Occupancy on account of the incoming supply and a weaker trade fair year.

However, the second half of 2018 showed a positive evolution with year-end figures showing an increase of 4.1% to €127.54 compared to the previous year. This was driven by a busy congress calendar. Occupancy also increased, although only marginally, by 0.2% to 75.6% due to new bed supply. As a result, RevPAR grew by 4.2% (€96.40) compared to 2017.

HOTEL MARKET OUTLOOK

Despite the significant increase in supply, we remain optimistic about the hotel market outlook for Munich due to the presence of strong demand drivers. There is a positive outlook on international arrivals, as the Munich International Airport has another two major projects planned, namely the reconstruction of Terminal 1 and the reorganisation of the north-western airport area. Reconstructing Terminal 1 remains in the planning phase but this conversion will significantly increase the airport's capacity, attractiveness and functionality. By reorganizing the north-western airport area, new office space will be created for businesses and for rescue services and more parking spaces for employees and passengers will be made available also. Traffic at Freisinger Allee and Nordallee is expected to improve through better planning of this space.

Moreover, Messe Munich also completed the addition of two halls (20,000 sq m) in May 2018. This has helped strengthen Munich's position as an important regional business hub and drive MICE demand. Leisure demand is not expected to ease either with the continuous efforts from the Munich Tourist Office to expand the city's positioning as top leisure destination.

FLORENCE, ITALY HOTEL PROPERTY SECTOR

As of 1 March 2019



FLORENCE TOURISM MARKET

Florence constitutes one of the most prominent tourist destinations in Italy and continues to confirm its ability to attract healthy tourist demand volumes. Florence benefits from its artistic heritage and its recently-acknowledged positioning as a fashion hub and events venue. The tourism industry development in Florence is well supported by the municipality that has launched several projects aimed at improving the city's overall image.

Official data published through the first three quarters of 2018 indicate a slowdown in arrivals at hotels and accommodated hotel bednights versus the same period in 2017. While total hotel arrivals recorded a compound annual growth rate of 6% over the ten-year period 2008-2017 (6.3% for international arrivals and 5.1% for domestic arrivals), the change in total hotel arrivals in the first nine months of 2018 versus the same period in 2017 was only about 1% yoy (0.5% for international arrivals and 2.5% for domestic arrivals).

Total accommodated hotel bednights recorded a compound annual growth rate of 5% over the ten-year period 2008-2017 (4.3% for international bednights and 6.9% for domestic bednights). Over the first nine months of 2018 versus the same period in 2017, total accommodated hotel bednights increased by only 1.8% yoy (1.3% for international bednights and 3.3% for domestic bednights). The overall average length of stay at hotels in Florence has remained unchanged at about 2.5 nights over the past decade.

Demand for hotel accommodation in Florence's four-star hotels recorded a healthy compound annual growth rate of 4% in the ten-year period 2008 to 2017 (6% for international bednights and 1.5% for domestic bednights). Approximately 77% of total demand stems from international visitation. The resulting bed occupancy figures stood at 53% in 2017 versus 48% in 2008. The year 2018 is projected to witness a 4.5% yoy rise in total bednights at four-star hotels, with most of this increase expected to be driven by a 6% rise in international bednights while yoy growth in domestic bednights is expected to be flat.

EXISTING AND FUTURE SUPPLY

The peculiarities of the hotel market in the historical city centre of Florence create high barriers for new developments and any envisaged projects involve the conversion of historic buildings into upscale hotels, aiming at higher operating yields capable of covering the significantly-higher redevelopment costs.

The supply of hotels in Florence has witnessed insignificant advancements in the available room stock over recent years, with 20,700 rooms across 560 hotels as at September 2018. 4-star hotels constitute about 50% of total room stock (10,300 rooms) as at September 2018. According to officially-published data, the year 2018 saw an increase in the supply of 5-star hotels by two units and an increase in the supply of 4-star hotels by also two units.

The latest information about new hotel supply involves the rumours about a new 173-room hotel under the name '25hours', likely to enter the Florence hotel market after 2020 and most probably under a 4-star classification. Hotel Market Performance

HOTEL MARKET PERFORMANCE

According to AICA-Osservatorio Confidustria Alberghi (Italian Association of Hotel Chains), RevPAR for Florence hotels improved by a robust 43% on aggregate over the period 2011 to 2018 from €71 to €102. This was primarily driven by a 34% improvement in average hotel room rates. During the period 2011-2018, hotel occupancies witnessed a five percentage point increase (from 68% to 73%), driven by progressively-improving demand which compoundly advanced by about 5%.

However, RevPAR during 2018 remained unchanged as compared to 2017 at €102. This is likely attributed to the fact that the increase in demand during 2018 versus 2017 was offset by the increase in supply over the same period, while average room rates also remained flat in 2018 over 2017, potentially demonstrating difficulties from hoteliers to further raise prices.

According to the annual European Hotel Valuation Index published by HVS every March, values per room for Florence's hotel market recorded an aggregate 10% reduction over the period 2007-2012. This was followed by an aggregate 30% rise in values per room in the period 2013-2017. Values per room are expected to further rise by 2% in 2018 over 2017.

HOTEL MARKET OUTLOOK

Given the recent performance trends in RevPAR for hotels in Florence that seem to indicate a stabilization following robust advancements in recent years, combined with the continuously-improving global tourism demand trends, the outlook for RevPAR performance of the Florence hotel market can be safely expected to maintain a 2% to 3% growth momentum over the short term of 2-3 years, equally driven by both occupancy and average room rate advancements. The dynamics of Florence as a tourist destination provide no reason for hotel performance to not demonstrate this kind of RevPAR advancement over the short term.

LEADERSHIP STRUCTURE



Executive Boardroom, Novotel Singapore Clarke Quay

BOARD OF DIRECTORS

**M&C REIT MANAGEMENT LIMITED
(THE "H-REIT MANAGER")**
**M&C BUSINESS TRUST MANAGEMENT LIMITED
(THE "HBT TRUSTEE-MANAGER")**

CHAN SOON HEE, ERIC, 65

Mr Chan Soon Hee, Eric was appointed a Non-Independent, Non-Executive Director and the Chairman of the Board of Directors of the H-REIT Manager and the HBT Trustee-Manager on 22 June 2018.

Mr Chan is a founder and the Chief Executive Officer of Thoughts Advisory Pte. Ltd. which provides consultancy services to entrepreneurs to further develop their strategic and business plans. He has more than 35 years of experience working in a public accounting firm environment, serving as audit partner with KPMG LLP (KPMG) from 1989 to 2001, and subsequently as partner in charge of Transaction Services at KPMG until his retirement in September 2011.

Mr Chan was the Lead Independent Director, Chairman of the Audit and Risk, Remuneration and Board Sustainability Committees; and a member of the Board and Nominating Committees of City Developments Limited, a controlling shareholder of the H-REIT Manager and the HBT Trustee-Manager, until his resignation on 22 June 2018.

Mr Chan is a Fellow Chartered Accountant of Singapore, a Fellow of the Chartered Association of Certified Accountants, a Fellow of Certified Public Accountants Australia and a Chartered Valuer & Appraiser.

VINCENT YEO WEE ENG, 50

Mr Vincent Yeo Wee Eng was appointed an Executive Director on 17 May 2006 as well as the Chief Executive Officer on 19 July 2006 of the H-REIT Manager and the HBT Trustee-Manager.

Mr Yeo is responsible for working within the H-REIT Manager Board and the HBT Trustee-Manager Board to determine the overall business, investment and operational strategies for H-REIT and HBT. He also works with other members of the H-REIT Manager's management team and the master lessees and managers of H-REIT's hotel properties to ensure that the business, investment and operational strategies of H-REIT are carried out as planned. In addition, Mr Yeo is responsible for the overall management and

planning of the strategic direction of H-REIT and HBT. This includes overseeing the acquisition of hospitality and hospitality-related assets and property management strategies for H-REIT, as well as the activities of HBT, which acts as master lessee of any of H-REIT's hotel property or when it undertakes certain hospitality or hospitality-related development projects which may not be suitable for H-REIT. Mr Yeo also handles the asset management function relating to some of the hotels currently.

Prior to his appointment as the Chief Executive Officer of the H-REIT Manager and HBT Trustee-Manager, he was the President of Millennium & Copthorne International Limited, Asia Pacific from 2003 to July 2006, responsible for overseeing the hotel operations in Asia Pacific and the corporate office in Singapore. Prior to that, he held the position of Chief Operating Officer from 2001 to 2003. Mr Yeo served as Chief Executive Officer of City e-Solutions Limited until November 2008 and as an Executive Director until April 2009. He is currently a Non-Executive Director of CDL Investments New Zealand Limited.

Between 1998 and 2000, he was an Executive Director of M&C based in London overseeing global sales and marketing. Between 1993 and 1998, he was the Executive Director and then the Managing Director of Millennium & Copthorne Hotels New Zealand Limited where he developed and integrated the largest chain of hotels in New Zealand.

Since 1998, Mr Yeo has been a Non-Executive Director of Millennium & Copthorne Hotels New Zealand Limited until stepping down from the position on 31 December 2015.

Mr Yeo graduated Summa Cum Laude and the top of his faculty in 1988 from Boston University with a Bachelor of Science in Business Administration (Major in Finance).

FOO SAY MUI (BILL), 61

Dr Foo Say Mui (Bill) was appointed an Independent Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 11 May 2016. He is the Lead Independent Director, the Chairman of the Audit and Risk Committees and a member of the Nominating and Remuneration Committees of the H-REIT Manager and the HBT Trustee-Manager.

Dr Foo is currently a director, chairman and adviser to several listed and private companies including Tung Lok Restaurants (2000) Ltd, Mewah International Inc., Kenon Holdings Ltd, Tower Capital Asia Pte. Ltd. and Business Circle Pte. Ltd. as well as a Senior Adviser at Lazard Asia.

Dr Foo has over 30 years of experience in the financial services industry, having served as the CEO/General Manager of Australia & New Zealand Banking Group Ltd (ANZ) in Singapore for 12 years from 1999 to 2011 and thereafter as Vice Chairman, South and South East Asia for another 4 years, prior to his retirement from ANZ in 2015.

Prior to that, he was the Regional Head of Investment Banking for Schroders Investment Bank and also served as the President Director of Schroders Indonesia for about 5 years. He had also served on the Council of the Association of Banks in Singapore for 9 years and was Deputy Chairman of the Singapore Investment Banking Association for about 3 years. Dr Foo was a Director on the Board of Academies Australasia Group Limited, an ASX-listed company until October 2016 and a Director of Unigestion Asia Pte. Ltd. until December 2017. Dr Foo also stepped down as a Director in I.C. Power Asia Development Ltd and IC Power Ltd, companies incorporated in Singapore, in January 2018 and February 2018 respectively.

Dr Foo graduated from Concordia University with a Bachelor of Business Administration. He holds a Masters of Business Administration from McGill University and an honorary Doctorate of Commerce from James Cook University Australia, in honour of his contribution to education and the community. Presently, Dr Foo is the chairman of several community and charity organisations, including Salvation Army and Heartware Network (one of the largest youth organisations in Singapore).

RONALD SEAH LIM SIANG, 71

Mr Ronald Seah Lim Siang was appointed an Independent Non-Executive Director of the H-REIT Manager and HBT Trustee-Manager on 21 October 2013. He is currently the Chairman of the Nominating and Remuneration Committees and a member of the Audit and Risk Committees of the H-REIT Manager and the HBT Trustee-Manager.

Mr Seah sits on the board of directors of other listed companies, namely, Yanlord Land Group Limited, Global Investments Limited, PGG Wrightson Limited and Telechoice International Limited. Mr Seah is also the chairman of Nucleus Connect Pte. Ltd.

Over a 25-year period between 1980 and 2005, Mr Seah had held various senior positions within the AIG Group in Singapore, initially as AIA Singapore's Vice-President and Chief Investment Officer managing the investment portfolio of AIA Singapore and later as AIG Global Investment Corporation (Singapore) Ltd's Vice-President of Direct Investments. Between 2001 and 2005, Mr Seah was also the Chairman of the Board of AIG Global Investment Corporation (Singapore) Ltd. From 1978 to 1980, Mr Seah managed the investment portfolio of Post Office Savings Bank as Deputy Head of the Investment and Credit Department. Prior to that, he worked at Singapore Nomura Merchant Bank as an Assistant Manager with responsibilities covering the sale of bonds and securities and offshore (ACU) loan administration for the bank. Between 2002 and 2003, Mr Seah served on the panel of experts of the Commercial Affairs Department of Singapore.

Mr Seah graduated with a Bachelor of Arts and Social Sciences (Second Class Upper in Economics) from the then University of Singapore in 1975.

LEADERSHIP STRUCTURE

BOARD OF DIRECTORS

KENNY KIM, 51

Mr Kenny Kim was appointed an Independent Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 25 January 2017. He is also a member of the Audit and Risk Committees of the H-REIT Manager and the HBT Trustee-Manager.

Mr Kim was the Senior Adviser and a member of the Executive Committee of RRJ Capital, one of the largest private equity funds in Asia which focuses on private equity investments in China and Southeast Asia from October 2015 until his resignation in September 2017. At RRJ Capital, he was responsible for originating and executing deals as well as providing advice to fund financial transactions.

Mr Kim has worked in various senior positions in the financial services sector for more than 20 years, having served as the Chief Executive Officer, Strategy and Investments and Group Chief Financial Officer at CIMB Group Holdings Berhad, a financial institution listed on Bursa Malaysia, and the 5th largest banking group in South East Asia. He also acted as Adviser to the Group Chief Executive Officer at CIMB Group Holdings Berhad and its subsidiary, CIMB Group Sdn Bhd up to 30 September 2015. During his tenure with the CIMB Group, Mr Kim was awarded Best Chief Financial Officer in South East Asia and Best Chief Financial Officer in Malaysia in 2013, both awards given by Alpha Southeast Asia, an institutional investment publication focused on Southeast Asia.

Mr Kim graduated from the University of Lancaster, United Kingdom, with a Master of Science in Finance degree. He is also a fellow of the Association of Chartered Certified Accountants, UK, a member of the Institute of Chartered Accountants England & Wales, CF Faculty and a member of the Malaysian Institute of Accountants.

CHEAH SUI LING, 47

Ms Cheah Sui Ling was appointed an Independent Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 18 August 2017. She was also appointed as a member of the Nominating and Remuneration Committees of the H-REIT Manager and the HBT Trustee-Manager on 12 February 2018.

Ms Cheah is currently an Operating Partner with Wavemaker Partners, a venture capital firm based in Singapore and Los Angeles that focuses on technology company investments, where she is responsible for helping portfolio companies with business development, follow on financings and eventual exits. She is also an Independent Director and chairman of the Audit Committee of Parkway Trust Management Limited, the manager of ParkwayLife REIT, listed on the Singapore Exchange.

Ms Cheah has over 20 years of international investment banking and corporate experience, having been a financial and strategic advisor to global and regional companies across multiple industries. Most of her career was spent across Singapore, Paris, Hong Kong, London and New York focusing on capital raising transactions and cross border mergers and acquisitions for corporate clients. Between 2010 to 2013 she was Co-Head of Corporate Finance for South East Asia at BNP Paribas. Prior to that, she was a senior coverage banker for Singapore in the investment banking division of JP Morgan. She started out her career at Merrill Lynch Investment Banking.

Ms Cheah graduated Magna Cum Laude with a Bachelor of Arts in Economics and French from Wellesley College, Massachusetts in the US.



Chairman's Room Hua Ting Restaurant, Orchard Hotel

BOARD OF DIRECTORS

As at 1 March 2019

BOARD OF THE H-REIT MANAGER AND HBT TRUSTEE-MANAGER

CHAN SOON HEE, ERIC

Chairman and Non-Executive Director

RONALD SEAH LIM SIANG

Independent Non-Executive Director

VINCENT YEO WEE ENG

Chief Executive Officer and Executive Director

KENNY KIM

Independent Non-Executive Director

FOO SAY MUI (BILL)

Lead Independent Director

CHEAH SUI LING

Independent Non-Executive Director

AUDIT AND RISK COMMITTEE OF THE H-REIT MANAGER AND HBT TRUSTEE-MANAGER

FOO SAY MUI (BILL)
Chairman

RONALD SEAH LIM SIANG
Member

KENNY KIM
Member

NOMINATING AND REMUNERATION COMMITTEE OF THE H-REIT MANAGER AND HBT TRUSTEE-MANAGER

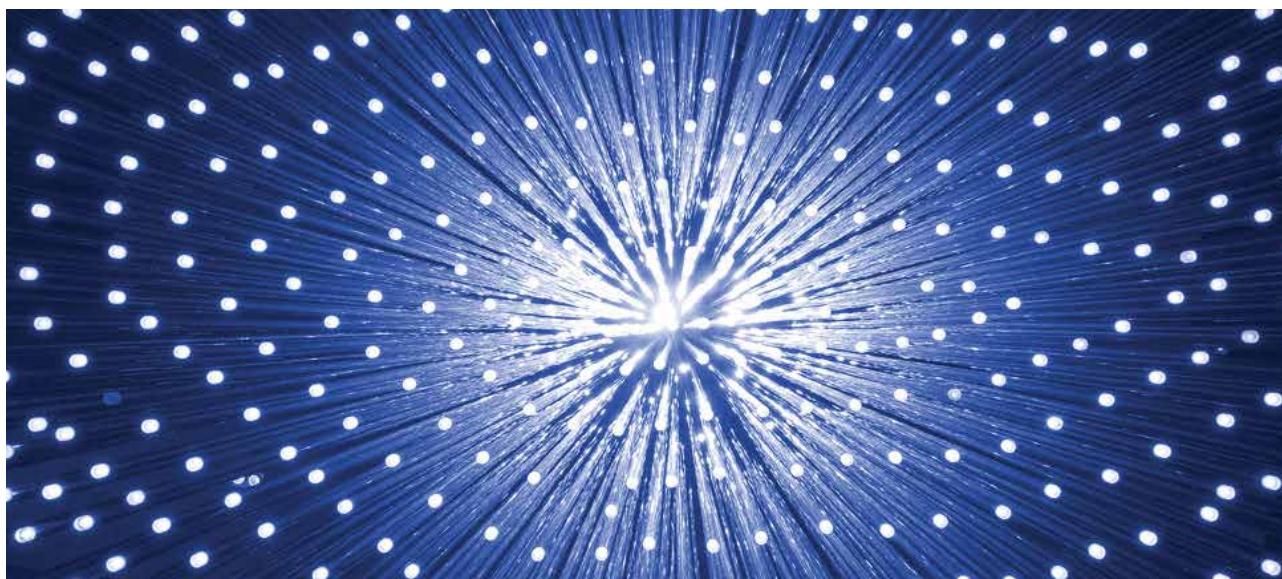
RONALD SEAH LIM SIANG
Chairman

FOO SAY MUI (BILL)
Member

CHEAH SUI LING
Member

LEADERSHIP STRUCTURE

MANAGEMENT TEAM

**VINCENT YEO****Chief Executive Officer**

Mr Yeo is also the Executive Director of the H-REIT Manager and the HBT Trustee-Manager and his profile can be found under the "Board of Directors" section on pages 42 and 43 of the Annual Report.

ANNIE GAN**Chief Financial Officer**

Ms Gan is responsible for CDLHT's financial and capital management functions. She oversees all matters involving finance and accounting, treasury, corporate finance (including fund raising activities), taxation, compliance and fund management, ensuring the alignment with CDLHT's investment strategy while focusing on optimising revenue and investment returns.

Ms Gan has more than 30 years of diverse experience in financial management, treasury, mergers and acquisitions, taxation and corporate advisory as well as in-depth knowledge of the hospitality, property development and property investment industries. Prior to joining the H-REIT Manager and the HBT Trustee-Manager, Ms Gan was the Group Financial Controller of the public-listed company,

Orchard Parade Holdings Limited ("OPHL"), a subsidiary of Far East Organisation Pte Ltd. She also served as a Director of all the subsidiaries of OPHL, primarily responsible for the stewardship of the subsidiaries' affairs and advising on new investment opportunities.

Ms Gan was also previously with PricewaterhouseCoopers, Singapore as Senior Audit Manager, where she was responsible for due diligence and acquisition audits, profit forecast reviews and the statutory audits of several public-listed companies and large multinational corporations.

Ms Gan is a Chartered Accountant with the Institute of Singapore Chartered Accountants and a Fellow of Certified Public Accountants of Australia and holds a Bachelor of Commerce from The Australian National University.

DAVID LING**Head, Strategic Development**

Mr Ling is responsible for strategic development and growth of H-REIT. His roles include establishing business relations, developing strategies and securing strategic investments from the regional and international markets, with the objective of driving long term growth in income and capital value of H-REIT investment holdings.

Mr Ling has 29 years of diverse hospitality and real estate experience in markets across Asia Pacific and Europe, and established relationships with major institutional and private investment houses, brokerage firms and financial institutions. His passion and entrepreneurial spirit drove him to establish and manage four new offices of HVS Hospitality Services in Asia Pacific between 2004 and 2014 as its Chairman and Managing Director, as well as pioneered and chaired the largest and most influential hotel investment conference in mainland China - the annual China Hotel Investment Conference.

Mr Ling speaks regularly at international conferences and lectures at universities and industry seminars. He served on the international board of HVS from 2005 to 2013 and the Hotel Licensing Board of Singapore from 2011 to 2014.

Graduated with a Master in Urban Land Appraisal from University of Reading, United Kingdom, and a Bachelor of Business (Distinction) in Valuation and Land Economy from Curtin University in Australia, Mr Ling is a member of the Australian Property Institute, Singapore Institute of Surveyors and Valuers and a Licensed Appraiser registered with the Inland Revenue Authority of Singapore.

PAUL KITAMURA **Head, Asset Management**

Mr Kitamura is responsible for CDLHT's asset management function which involves performance optimisation and value enhancement initiatives across the portfolio.

Mr Kitamura has 31 years of experience in hospitality and previously served as Senior Vice President of asset management for GIC Real Estate where he was responsible for the fund's Asia-Pacific hospitality portfolio comprising assets such as the Westin Tokyo, Shangri-La Sydney and Park Hyatt Melbourne, a portfolio of Oakwood serviced apartments in Japan and a retail portfolio in Australia. During the 2008/09 global downturn, he successfully drove cost efficiency initiatives and led the re-branding of the 1,053-room Hilton Fukuoka.

His hotel management experience includes leading IHG's efforts in Japan as country head from 2002-2008, securing exclusivity with ANA Airlines to form a JV partnership for a 50-property chain in Japan. During this period, deal flow increased 200% including signing of the 600-room Crowne Plaza Kobe and successful extension of the group's presence in Tokyo, Yokohama, Kyoto and Nagasaki. Operationally, he led IHG's business in Japan through a brand portfolio covering 10 cities including Tokyo, Yokohama and Kyoto.

Mr Kitamura also held senior Asia Pacific brand management and marketing positions within IHG in Hong Kong and Singapore. He started his career with Mandarin Oriental Hotel Group where he spent 10 years in a variety of sales & marketing roles at the property, regional and corporate levels.

Mr Kitamura holds a Master of Business Administration from the University of Chicago Booth Graduate School of Business and a Bachelor of Science degree in Hotel Administration from Cornell University.

MANDY KOO **Head, Investments & Investor Relations**

Ms Koo is responsible for sourcing, evaluating, conducting due diligence, structuring and executing potential acquisitions with a view to enhance CDLHT's investment portfolio. Her role includes the analysis and execution of suitable divestment opportunities for CDLHT. She is also responsible for maintaining relations with the media, investment and research community, as well as equity capital raising and corporate finance activities.

Ms Koo has more than 14 years of experience, spanning across real estate investments and investor relations in the REIT industry, equity corporate finance and listing regulations. Ms Koo was previously with the Standard Chartered Bank Corporate Advisory & Finance team which was responsible for the execution of merger and acquisition and equity corporate finance deals in Southeast Asia. Prior to her investment banking stint, she was with YTL Pacific Star REIT Management Limited, primarily involved in investments and asset management. Before this, Ms Koo was with the H-REIT Manager where her core responsibilities were investments and investor relations. She started her career in Singapore Exchange Limited, Issuer Regulation, and was responsible for reviewing applications for initial public offerings, fund raising and corporate actions of listed companies.

Ms Koo holds both the Chartered Financial Analyst and Chartered Alternative Investment Analyst designations. She graduated Summa Cum Laude from Singapore Management University with a Bachelor of Business Management (Major in Finance) and a Bachelor of Accountancy.

PROPERTY PORTFOLIO





19

ASSETS AROUND THE WORLD
& COUNTING

7

IN SINGAPORE

3

IN AUSTRALIA

2

IN UNITED
KINGDOM

2

IN JAPAN

2

IN MALDIVES

1

IN NEW ZEALAND

1

IN GERMANY

1

IN ITALY

PROPERTY PORTFOLIO

ORCHARD HOTEL

SINGAPORE



Lobby

442 ORCHARD ROAD, SINGAPORE 238879

Offering cosmopolitan elegance in the heart of Orchard Road, Singapore's premier retail district, and Cantonese fine dining at its award-winning Hua Ting Restaurant.

656

GUEST ROOMS

S\$444M

VALUATION AS AT 31 DEC 2018

8,588

SQ M LAND AREA



Premier Room, Claymore Wing



Premier Club Lounge

PROPERTY DETAILS

Number of guest rooms: 656

Number of food & beverage outlets:

Four outlets comprising Hua Ting Restaurant, The Orchard Cafe, Bar Intermezzo and Poolside Snack Bar

Banquet/Conference/Meeting facilities:

A 1,245 sq m pillar-free Orchard Grand Ballroom and 343 sq m of pre-function space with a maximum capacity of 1,500 guests theatre-style, and convertible into three separate smaller ballrooms

A Conference Centre with five multi-function rooms equipped with state-of-the-art facilities

Car park facilities: 452 car park lots

The car park facilities are shared with Claymore Connect

Land area: 8,588.0 sq m
(including Claymore Connect)

Gross floor area: 49,940.9 sq m
(including Claymore Connect)

Title: 75-year leasehold interest commencing from 19 July 2006

Purchase price at 19 July 2006:
S\$330.1 million

Valuation ⁽¹⁾ as at 31 December 2018:
S\$444.0 million

MASTER LEASE DETAILS

Master lessee: City Hotels Pte. Ltd., a subsidiary of M&C

Term of lease:

20 years from 19 July 2006 with an option to renew for another 20 years

Minimum rental income:

S\$10.3 million comprising a fixed rent of S\$5.9 million and a service charge of S\$4.4 million per annum

FY 2018 KEY FINANCIALS

Rental income: S\$20.1 million

Net property income: S\$18.6 million

Average occupancy rate: 85.6%



Situated on Singapore's renowned Orchard Road and in proximity to the Orchard MRT Station and the UNESCO-listed Botanic Gardens, Orchard Hotel offers 656 tastefully-appointed guest rooms and suites in twin wings, Orchard Wing (325-room) and Claymore Wing (331-room).

Orchard Wing features vibrant Deluxe Rooms ideal for business and leisure travellers alike; distinctive Signature Rooms and Suites designed by world-renowned designer, Pierre Yves Rochon. The hotel's contemporary collection of Premier, Premier Club Rooms and Premier Suites at the Claymore Wing are fully equipped with modern amenities and conveniences.

Facilities available to guests include a half Olympic-size outdoor pool and jacuzzi, a fitness studio and banquet venues including a pillar-free grand ballroom that houses up to 1,500 guests (theatre-style seating). Adjoining the hotel is Claymore Connect, a destination mall catering to the discerning urban family with choice selections of lifestyle services and gastronomic treats.

Experience a diverse array of signature cuisines at the hotel's award-winning dining outlets, including Hua Ting Restaurant. The recently refurbished Orchard Cafe reopened in late 2018 with a vibrant new style and enticing buffets from heritage-inspired local creations to chef-curated cuisines. A renewed Bar Intermezzo offers a lineup of craft cocktails, inspired by the historic location of Orchard Road.

As part of the hotel's continued commitment to enhance guest experience, the lobby was recently renovated together with Orchard Cafe and Bar Intermezzo. It has also embarked on an extensive refurbishment exercise of 260 guestrooms in the Orchard Wing as well as the function and event spaces of the hotel.

Notable accolades include:

- TripAdvisor Certificate of Excellence 2017 – 2018
- BCA Green Mark Award (Gold) 2016 – 2018
- Hotel Security Excellence Award 2018
- SHA Excellent Service Award 2018
- The Michelin Guide Singapore (The Michelin Plate) 2018 – Hua Ting Restaurant
- Straits Times & Lianhe Zaobao's Best Asian Restaurants (Silver) – Hua Ting Restaurant
- Singapore Tatler Singapore's Best Restaurants 2017/18 – Hua Ting Restaurant
- Wine & Dine Singapore's Top Restaurants (One Star) 2017/18 – Hua Ting Restaurant

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches

PROPERTY PORTFOLIO

GRAND COPTHORNE WATERFRONT HOTEL

SINGAPORE



Lobby

392 HAVELOCK ROAD, SINGAPORE 169663

One of Singapore's leading conference hotels along the historic Singapore River and in proximity to the Central Business District and the waterfront precincts of Robertson Quay and Clarke Quay.

574

GUEST ROOMS

S\$357M

VALUATION AS AT 31 DEC 2018

10,860

SQ M LAND AREA



Club Deluxe Bayview Room



Food Capital

PROPERTY DETAILS

Number of guest rooms: 550 rooms and 24 La Residenza serviced suites

Number of food & beverage outlets:

Three outlets comprising Food Capital, Grissini and Tempo Bar

Banquet/Conference/Meeting facilities:

33 versatile meeting rooms covering 6,039 sq m, including a six-metre high, column-free ballroom of 853 sq m and seating up to 600 guests banquet-style and 1,100 guests theatre-style

Other facilities: Hair, beauty and wellness services, Executive Club Lounge and leisure facilities including a 24-hour fitness centre, outdoor swimming pool, jacuzzi and tennis courts

Car park facilities: 287 car park lots ⁽¹⁾

Land area: 10,860.2 sq m (including adjoining Waterfront Plaza) ⁽²⁾

Gross floor area: 63,496.0 sq m (including adjoining Waterfront Plaza) ⁽²⁾

Title: 75-year leasehold interest commencing from 19 July 2006

Purchase price at 19 July 2006: S\$234.1 million

Valuation ⁽³⁾ as at 31 December 2018: S\$357.0 million

MASTER LEASE DETAILS

Master lessee: Republic Hotels & Resorts Limited, a subsidiary of M&C

Term of lease:

20 years from 19 July 2006 with an option to renew for another 20 years

Minimum rental income: S\$7.2 million comprising a fixed rent of S\$3.0 million and a service charge of S\$4.2 million per annum

FY 2018 KEY FINANCIALS

Rental income: S\$18.2 million

Net property income: S\$16.9 million

Average occupancy rate: 87.3%



Riverfront Ballroom

The 574-room premier deluxe conference hotel is situated on the banks of the historic Singapore River and close to the Central Business District, Clarke Quay, Robertson Quay, Boat Quay, Orchard Road, Marina Bay and the Integrated Resorts. The hotel offers lifestyle comfort and business-enabling conveniences to facilitate travellers' executive accommodation and leisure needs, including La Residenza, comprising 24 serviced suites, which have high ceilings and come in studio, one or two bedroom units.

The adjoining Waterfront Conference Centre has 33 versatile meeting rooms that cover a total area of 6,039 sq m including a six-metre high, column-free ballroom covering 853 sq m and seating up to 600 guests banquet-style and 1,100 guests theatre-style. With one of the best designed conference venues in the region, offering unparalleled cutting edge meeting facilities, it is a choice venue for many multinational organisations.

The hotel also houses a salon providing hair, beauty and wellness services to satisfy the needs of the leisure guests.

The hotel completed its makeover project in 2016 and unveiled a brand new lobby and an integrated dining destination. This new concept is modern, vibrant and eclectic and the elements of the East and West connect to the modern international travelling community. The lobby area comprises three new F&B outlets including Food Capital, an interactive buffet restaurant, Grissini, an Italian grill restaurant and Tempo, a dynamic bar.

Notable accolades include:

- Best Convention Hotel, Singapore (2018 – 2019) by International Hotel Awards
- Best Luxury Hotel, Singapore (2018 – 2019) by International Hotel Awards
- International Five Star Hotel 2018 – 2019 and 2017 – 2018 by International Hotel Awards
- Blissful Brides Editor's Choice Preferred Banquet Venue Winner (2017 – 2018)
- BCA Green Mark Platinum (2018 – 2020)
- SHA Excellent Service Award 2017 (14 Star, 3 Gold, 2 Silver)
- Grand Luxury Hotel of the Year 2017 by Luxury Travel Guide
- Food Capital (2018) and Grissini (2017 – 2018) in Singapore's Top Restaurants by Wine & Dine
- PUB Water Efficient Building Gold Award (2014 – 2018)
- BCA Green Mark Award Platinum (2016 – 2018)
- Hotel Security Excellence Award (2004 – 2017)

(1) The basement level car park facility was not acquired by H-REIT from City Developments Limited ("CDL"). However, the hotel enjoys a right of easement to use the basement level car park facility

(2) H-REIT leases from CDL the second level of Waterfront Plaza which comprises the Waterfront Conference Centre which H-REIT in turn sub-lets to Republic Hotels & Resorts Limited ("RHRL"). Rental income received from RHRL is thereafter paid to CDL as rental expense

(3) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches

PROPERTY PORTFOLIO

M HOTEL

SINGAPORE



Banquet Suite

81 ANSON ROAD, SINGAPORE 079908

A premier award-winning hotel strategically located in the heart of the financial district and a choice venue for discerning business travellers.

415

GUEST ROOMS

S\$237M

VALUATION AS AT 31 DEC 2018

2,134

SQ M LAND AREA



Serviced Office Reception



Club Room

PROPERTY DETAILS

Number of guest rooms: 415

Number of food & beverage outlets:

Five outlets comprising Café 2000, The Buffet Restaurant, Hokkaido Sushi Restaurant, J Bar and Tea Bar

Banquet/Conference/Meeting facilities:

A banquet suite with a maximum capacity of 350 guests theatre-style (with stage), and 14 multi-function rooms equipped with state-of-the-art facilities

Other facilities: 32 fully furnished designer office suites complete with a selection of modern business and IT facilities at level.8 Office Suites & Business Centre

The Waterfloor features a spa, an outdoor swimming pool, two outdoor jacuzzis and a 24-hour gymnasium for rejuvenation and recreation

Car park facilities: 237 car park lots

Land area: 2,133.9 sq m

Gross floor area: 32,379.3 sq m

Title: 75-year leasehold interest commencing from 19 July 2006

Purchase price at 19 July 2006:

S\$161.5 million

Valuation ⁽¹⁾ as at 31 December 2018:

S\$237.0 million

MASTER LEASE DETAILS

Master lessee: Harbour View Hotel Pte. Ltd., a subsidiary of M&C

Term of lease:

20 years from 19 July 2006 with an option to renew for another 20 years

Minimum rental income: S\$6.1 million comprising a fixed rent of S\$3.9 million and a service charge of S\$2.2 million per annum

FY 2018 KEY FINANCIALS

Rental income: S\$13.5 million

Net property income: S\$12.5 million

Average occupancy rate: 87.5%



M Hotel, one of Singapore's premier business hotels, is strategically located in the heart of the financial district and close to government offices, the Integrated Resorts, Sentosa, Chinatown and Marina Bay. It has 415 rooms designed for the business travellers with modern technological amenities.

The hotel's prime location as well as its variety of function areas which are well-equipped with the state-of-the-art audio and visual facilities, makes it a favoured venue for corporate meetings, social events and weddings. One of the hotel's largest function areas, the Anson Room, was recently refreshed after a soft refurbishment. Its level.8 Office Suites & Business Centre offers 32 fully furnished office suites with comprehensive secretarial support, modern meeting facilities and 24-hour security and secretariat services for all business needs.

The food & beverage outlets at M Hotel Singapore offer a generous variety, ranging from the delectable all-day dining spread at Café 2000 and specialty seafood hotpot buffet at The Buffet Restaurant to fresh authentic Japanese delicacies at Hokkaido Sushi Restaurant. Tea Bar at the lobby serves a premium selection of teas and freshly prepared pastries. The J Bar offers live entertainment and a separate daylight function room, J Collyer. The Waterfloor offers guests rejuvenation and recreation during their stay with spa facilities, outdoor swimming pool, jacuzzi and a 24-hour gymnasium.

Notable accolades include:

- BCA Green Mark Gold Plus (2018 – 2021)
- PUB Water Efficient Building Silver Award (2013 – 2019)
- Green Hotel Award (2011, 2013, 2015 – 2016)
- Ctrip Preferred Hotels 2017
- Hotel Security Awards 2017
- TripAdvisor Certificate of Excellence 2016

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches

PROPERTY PORTFOLIO

COPTHORNE KING'S HOTEL

SINGAPORE



Deluxe Room

403 HAVELOCK ROAD, SINGAPORE 169632

A superior business hotel that is in proximity to the Central Business District.

310

GUEST ROOMS

S\$118M

VALUATION AS AT 31 DEC 2018

5,637

SQ M LAND AREA



Lobby



Princess Terrace Café

PROPERTY DETAILS

Number of guest rooms: 310

Number of food & beverage outlets:

Four outlets comprising Tien Court Restaurant, Princess Terrace Café, Connections Lounge and Starscafé

Banquet/Conference/Meeting facilities:

Seven fully equipped function rooms that can be easily configured to various meeting arrangements

Car park facilities: 77 car park lots

Land area: 5,636.9 sq m

Gross floor area: 17,598.3 sq m

Title: 99-year leasehold interest commencing from 1 February 1968

Purchase price at 19 July 2006:

S\$86.1 million

Valuation ⁽¹⁾ as at 31 December 2018:

S\$118.0 million

MASTER LEASE DETAILS

Master lessee: Republic Hotels & Resorts Limited, a subsidiary of M&C

Term of lease:

20 years from 19 July 2006 with an option to renew for another 20 years

Minimum rental income: S\$2.8 million comprising a fixed rent of S\$0.6 million and a service charge of S\$2.2 million per annum

FY 2018 KEY FINANCIALS

Rental income: S\$7.6 million

Net property income: S\$6.3 million

Average occupancy rate: 86.2%



The 310-room hotel is conveniently located minutes away from the Central Business District, Robertson Quay, Clarke Quay, Boat Quay, Orchard Road, Chinatown and the Integrated Resorts.

Copthorne King's Hotel's elegantly-appointed rooms and suites offer all the comforts of modern day amenities, replete with award-winning restaurants, seven fully equipped function rooms that can be configured to various meeting arrangements, complete with the latest audio-visual equipment and wireless broadband connectivity. Recreational facilities include a landscaped outdoor pool and jacuzzi, mini putting green, gymnasium, sauna and steam bath.

Its award-winning restaurants include Tien Court Restaurant which serves contemporary Cantonese delicacies and Princess Terrace Café which is renowned in Singapore for serving authentic Penang cuisine. Both restaurants have been voted into Singapore Tatler's "Best Restaurants Guide" from 2016 to 2018 consecutively.

Notable accolades include:

- BCA Green Mark Platinum (2014 – 2018)
- ASEAN Energy Awards 2013 – Retrofitted Building Category

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches

PROPERTY PORTFOLIO

STUDIO M HOTEL

SINGAPORE

**3 NANSON ROAD, SINGAPORE 238910**

A contemporary design-oriented hotel that is in the Robertson Quay entertainment precinct and in proximity to the Central Business District.

360

GUEST ROOMS

S\$154M

VALUATION AS AT 31 DEC 2018

2,932

SQ M LAND AREA



Executive Loft



MEMO

PROPERTY DETAILS

Number of guest rooms: 360

Number of food & beverage outlets:

One outlet – MEMO

Other facilities:

Recreational facilities incorporating a 25-metre lap pool, a jet pool, an open-air gymnasium and three cabanas

Car park facilities: 30 car park lots

Land area: 2,932.1 sq m

Gross floor area: 8,258.9 sq m

Title: 99-year leasehold interest commencing from 26 February 2007

Purchase price at 3 May 2011:

S\$154.0 million

Valuation ⁽¹⁾ as at 31 December 2018:

S\$154.0 million

MASTER LEASE DETAILS

Master lessee: Republic Iconic Hotel Pte. Ltd., a subsidiary of M&C

Term of lease:

20 years from 3 May 2011 with:

- (i) an option to extend the lease for a first additional term of 20 years commencing immediately after the expiry of the initial term;
- (ii) an option to extend the lease for a second additional term of 20 years commencing immediately after the expiry of the first additional term; and
- (iii) an option to extend the lease for a third additional term of 10 years commencing immediately after the expiry of the second additional term.

Minimum rental income: For the nine years after the first year of the lease, a fixed rent of S\$5.0 million per annum. On the tenth anniversary date (the “**Rent Revision Date**”) of the commencement of the lease, the fixed rent amount will be revised to an amount equivalent to 50% of the average annual aggregate fixed rent and variable rent for the five fiscal years preceding the Rent Revision Date (the “**Revised Fixed Rent**”). This amount would thereon be the Revised Fixed Rent amount.

FY 2018 KEY FINANCIALS

Rental income: S\$7.2 million

Net property income: S\$6.9 million

Average occupancy rate: 82.2%



Studio M Hotel is a unique and stylised hotel in Singapore that blends modern design with functionality. Designed by Italian style maestro and architect, Piero Lissoni, it is the first fully loft-inspired Singapore hotel that also occupies a prime and vibrant location in the city; within easy reach of both the Central Business District and Orchard Road. The lifestyle hotel offers a great leisure getaway or business stay in the iconic entertainment precinct of Robertson Quay. Studio M Hotel has 360 stylish guest rooms and facilities which include an open-air tropical oasis deck where guests can enjoy specialised Asian cuisine for breakfast, 25-metre lap pool, a jet pool, well equipped open-air gymnasium and a food and beverage outlet – MEMO.

Notable accolades include:

- BCA Green Mark Gold (2015 – 2018)
- AsiaOne Readers’ Choice Award 2015 – Winner (Best Boutique Hotel)
- Agoda.com Gold Circle Award 2015
- Asia Hotel Forum – Best Design Hotel 2015

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches

PROPERTY PORTFOLIO

NOVOTEL SINGAPORE CLARKE QUAY

SINGAPORE



Junior Ballroom

177A RIVER VALLEY ROAD, SINGAPORE 179031

Located in the heart of the Clarke Quay entertainment precinct and in proximity to the Central Business District and Marina Bay, Novotel Singapore Clarke Quay is a popular choice for business and leisure customers.

403

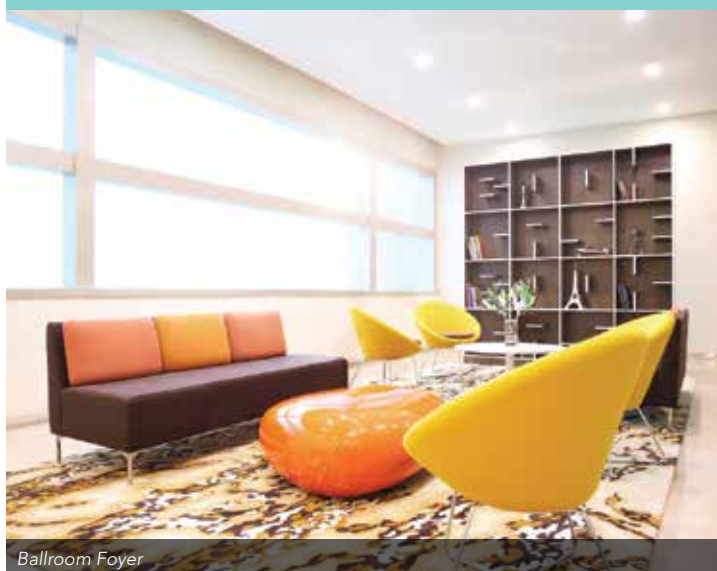
GUEST ROOMS

S\$333M

VALUATION AS AT 31 DEC 2018

12,925

SQ M LAND AREA



Ballroom Foyer



Premier Suite

PROPERTY DETAILS

Number of guest rooms: 403

Number of food & beverage outlets:

Four outlets comprising The SQUARE Restaurant, Dragon Phoenix Restaurant, d'Pelangi Restaurant and Le Bar Rouge

Banquet/Conference/Meeting facilities:

A pillarless ballroom with a maximum capacity of 600 guests, six multifunction rooms with spacious pre-function areas and an executive boardroom which can seat up to 15 guests and hosts the latest AV technology

Car park facilities: 745 car park lots⁽¹⁾

Land area: 12,925.4 sq m

Title: 97 years and 30 days leasehold interest commencing from 2 April 1980

Purchase price at 7 June 2007:

S\$201.0 million

Valuation⁽²⁾ as at 31 December 2018:

S\$333.0 million

MASTER LEASE DETAILS

Master lessee: AAPC Clarke Quay Hotel Pte.Ltd., a subsidiary of Accor S.A.

Term of lease:

Approximately 13.5 years from 7 June 2007 expiring 31 December 2020

Minimum rental income: Minimum rent of S\$6.5 million per year guaranteed by master lessee / Accor S.A., subject to maximum rent reserve of S\$6.5 million for the lease term

FY 2018 KEY FINANCIALS

Rental income: S\$22.2 million

Net property income: S\$21.0 million

Average occupancy rate: 92.7%



Novotel Singapore Clarke Quay's 403 hotel guest rooms range from the standard rooms to the premier suites, all offering modern décor, the highest level of comfort and boast magnificent views of the Marina Bay, Singapore River or the lush greenery of Fort Canning Park.

Strategically located between the Central Business District and minutes away from the prime shopping area of Orchard Road, the hotel is situated in the vibrant and dynamic entertainment hub of Singapore Clarke Quay, only 20 minutes' drive from Changi International Airport and well connected by public transport with the new Fort Canning MRT Station right next to the hotel.

Novotel Singapore Clarke Quay also features 1,200 sq m of renovated meeting facilities including two ballrooms accommodating up to 600 delegates, while its six multi-purpose function rooms are equipped with state-of-the-art technology. The green lavish outdoor terrace on Level 5 is ideal for coffee breaks, evening cocktails and networking dinners.

Novotel's signature all-day dining restaurant, The SQUARE, fulfils guests' appetites with superb international and local cuisine. The hotel lounge, Le Bar Rouge is a perfect venue to chat with friends and colleagues. An award winning Chinese restaurant, Dragon Phoenix, and Malay restaurant d'Pelangi completes the food and beverage offerings of this downtown hotel.

Notable accolades include:

- SEC-Kimberly-Clark Singapore Environmental Achievement Award (Services) – Winner
- PUB Water Efficient Building Gold Award (2015 – 2018)
- ASEAN Green Hotel Award (2018)
- BCA Green Mark Gold Plus (2013 – 2017)
- Singapore Green Hotel Award (2018 – 2019)
- National Safety and Security Watch Group Award

(1) Shared with Liang Court Shopping Centre and Somerset Liang Court Service Apartment (all space owned by Management Corporation Strata Title Plan No. 3027)

(2) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches

PROPERTY PORTFOLIO

CLAYMORE CONNECT

SINGAPORE



Interior

442 ORCHARD ROAD, SINGAPORE 238879

Occupying a prime spot at the junction of Claymore Road and the Orchard Road shopping and tourist belt, Claymore Connect is a family-friendly mall with a range of lifestyle and F&B retail offerings.

23

TENANTS

S\$96M

VALUATION AS AT 31 DEC 2018

~7,179

SQ M IN NLA



Pim Pam



PROPERTY DETAILS

Net lettable area (including Galleria):

Approximately 7,179 sq m

Car park facilities: The car park facilities are shared with Orchard Hotel

Title: 75-year leasehold interest commencing from 19 July 2006

Purchase price at 19 July 2006:

S\$34.5 million

Valuation ⁽¹⁾ as at 31 December 2018:

S\$95.8 million

FY 2018 KEY FINANCIALS

Rental income: S\$7.6 million

Net property income: S\$5.3 million

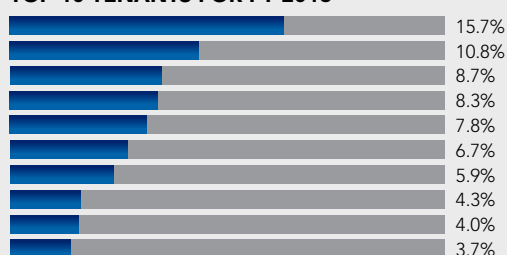
Total number of tenants as at

31 December 2018: 23

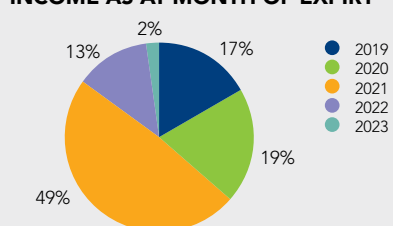
Committed occupancy rate as at

31 December 2018: 94.0%

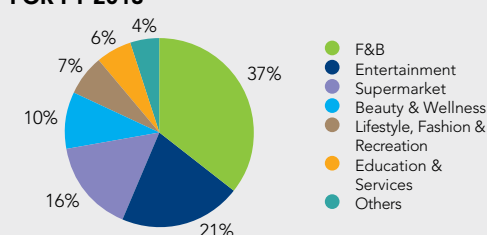
% CONTRIBUTION TO RENTAL INCOME OF TOP 10 TENANTS FOR FY 2018



LEASE EXPIRY ANALYSIS BY PASSING RENTAL INCOME AS AT MONTH OF EXPIRY



TENANT MIX BY RENTAL INCOME FOR FY 2018



Claymore Connect is located within a short walking distance from Orchard MRT station, situated at the junction of Scotts Road, Paterson Road and Orchard Road. Its main entrance is along Claymore Road, with direct access to Orchard Hotel from the mall's mezzanine floor and Level 2.

Positioned as a family-oriented and lifestyle mall on Orchard Road, the mall actively enhances its retail offerings to cater to the captive residential population in the nearby precincts of Tanglin, Orchard and Claymore. Orchard Hotel guests also enjoy the convenience of the F&B outlets, beauty, wellness and lifestyle services at the mall.

Apart from the anchor tenant Cold Storage, Claymore Connect features tenants such as MapleBear Singapore – an early education centre offering Canadian education philosophies and practices, combined with Singapore's bilingual literacy curriculum and Ch'i Life Studio – Singapore's Premier International Martial Arts Studio for children and adults of all ages. Housing the very first of its kind in Singapore, Claymore Connect is also home to Trehaus – a co-working space complete with child play and learning facilities, offering adults a space to work and meet, while their children are being engaged and supervised by caring minders.

The mall also offers a diverse range of food and beverage selections such as:

- Mon Bijou, an artisanal bistro featuring all-day dining favourites, French pastries and desserts;
- Hua Ting Steamboat, a gourmet Cantonese hotpot offering by the renowned Hua Ting Restaurant;
- PIM PAM by FOC, a Gastro-bodega inspired by the Barcelonan tapas and wine culture, offering unique Catalan cuisine;
- Jewel Coffee, a leading specialty purveyor in Singapore known for their uniquely roasted single origin espressos; and
- Muddy Murphy's, an Irish cottage themed pub which has a loyal following for its dining and drinks options as well as its live band and televised sports.

With active lease management, the mall also welcomed new tenants in 2018, including California Pizza Kitchen, a chain eatery serving up inventive pizzas, pastas and salads in a modern setting.

Additionally, the mall also offers a number of lifestyle and fashion retailers such as Maharaja's Custom Tailors, one of Singapore's leading bespoke men's and womenswear specialists established since 1958; House of Fine Jewels, offering a wide collection of precious gems and jewellery in exquisite designs; and Wine Connection, South-East Asia's leading chain of wine shops. Claymore Connect also features a number of beauty and wellness outlets ready to pamper discerning patrons.

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches

PROPERTY PORTFOLIO

NOVOTEL BRISBANE

AUSTRALIA



Lobby

200 CREEK STREET

A contemporary and functional hotel in central Brisbane, the capital city of Queensland.

296

GUEST ROOMS

A\$73M

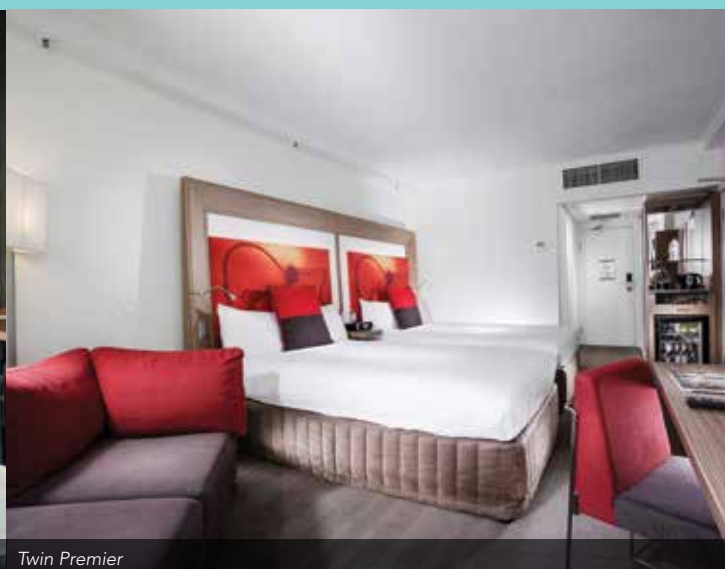
VALUATION AS AT 31 DEC 2018

6,235

SQ M LAND AREA



Gourmet Bar



Twin Premier

PROPERTY DETAILS

Number of guest rooms: 296

Number of food & beverage outlets:

Three outlets comprising The Pantry Restaurant, Gourmet Bar and Two Donkeys Café

Banquet/Conference/Meeting facilities:

10 versatile conference and function rooms for up to 400 delegates featuring pillarless ballroom, executive boardroom, conference café and a unique pool deck area with natural light

Car park facilities: 70 car park lots

Land area: 6,235 sq m

Gross floor area: 28,049 sq m

Title: Strata Volumetric Freehold

Purchase price at 18 February 2010:

A\$63.5 million

Valuation ⁽¹⁾ as at 31 December 2018:

A\$72.5 million

MASTER LEASE DETAILS

Master lessee: HI Operations Pty Ltd, a subsidiary of Accor S.A.

Term of lease:

Approximately 11 years from 19 February 2010, expiring on 30 April 2021

Minimum rental income: A\$4.9 million

FY 2018 KEY FINANCIALS

Rental income: S\$5.0 million ⁽²⁾

(A\$4.9 million)

Net property income: S\$5.0 million ⁽²⁾

(A\$4.9 million)

Average occupancy rate: 76.2%



Novotel Brisbane offers 296 modern rooms and suites with comprehensive conference and leisure facilities in the heart of Brisbane. Located in the CBD, within walking distance to the Central Station, Queen Street Mall and the Riverside boardwalk, this hotel is one of Queensland's more popular and stylish hotels amongst multinational corporate and government bodies. Its functional yet stylish features include conference facilities consisting 10 separate venues for up to 400 delegates. The venues feature natural light and spacious pre-function areas.

The property also features a restaurant, a café, a bar, a large outdoor swimming pool, sauna and a gymnasium. For its green initiatives and environmental management, Novotel Brisbane was ISO 14001 certified from 2013 to 2015. The hotel was also awarded the Gold Planet 21 rating since 2014 for its sustainability efforts.

(1) The properties were valued by CBRE Valuations Pty Limited using a combination of the Capitalisation and Discounted Cash Flow approaches

(2) Based on the average exchange rate of A\$1.00 = S\$1.0083

PROPERTY PORTFOLIO

MERCURE & IBIS PERTH

AUSTRALIA



Beccaria Bar and Restaurant, Mercure Perth

MERCURE PERTH 10 IRWIN STREET
IBIS PERTH 334 MURRAY STREET

Strategically located in the heart of Perth, the hotels are located minutes away from the Central Business District.

MERCURE PERTH

239
GUEST ROOMS

757
SQ M LAND AREA

A\$48M

VALUATION AS AT 31 DEC 2018

IBIS PERTH

192
GUEST ROOMS

1,480
SQ M LAND AREA

A\$33M

VALUATION AS AT 31 DEC 2018



Superior Room, Mercure Perth



Murray Street Grill, Ibis Perth

PROPERTY DETAILS

Hotel:	Mercure Perth	Ibis Perth
Number of guest rooms:	239	192
Number of food & beverage outlets:	Two outlets comprising Beccaria Bar and Restaurant and Cucina on Hay. Cucina on Hay was fully refurbished in 2017	Two outlets comprising the Rubix Bar and Cafe and Murray Street Grill
Banquet/Conference/Meeting facilities:	Dedicated conference floor on Level 1 providing facilities for up to 350 delegates with six function rooms, heated rooftop swimming pool, spa, and gym which was fully refurbished between 2016 and 2017 with addition of refurbished pool deck area	Three function rooms for up to 200 guests
Car park facilities:	32 car park lots	13 car park lots
Land area:	757 sq m	1,480 sq m
Gross floor area:	22,419 sq m	9,650 sq m
Title:	Strata Freehold	Freehold
Purchase price at 18 February 2010:	A\$36.2 million	A\$21.6 million
Valuation ⁽¹⁾ as at 31 December 2018:	A\$48.0 million	A\$33.0 million

MASTER LEASE DETAILS

Master lessee:	HI Operations Pty Ltd, a subsidiary of Accor S.A.	
Term of lease:	Approximately 11 years from 19 February 2010, expiring on 30 April 2021	
Minimum rental income:	A\$2.8 million	A\$1.9 million

FY 2018 KEY FINANCIALS

Rental income:	S\$2.9 million ⁽²⁾ (A\$2.8 million)	S\$1.9 million ⁽²⁾ (A\$1.9 million)
Net property income:	S\$2.9 million ⁽²⁾ (A\$2.8 million)	S\$1.9 million ⁽²⁾ (A\$1.9 million)
Average occupancy rate:	79.1%	75.6%

Mercure Perth and Ibis Perth are both strategically located in the heart of Perth city, just a short stroll from the Swan River, Perth Mint and Supreme Court Gardens, amongst many of Perth's attractions.

Mercure Perth features 239 well-appointed rooms, along with two F&B outlets comprising Beccaria Bar and Restaurant, and Cucina on Hay. The property has a large heated rooftop swimming pool, modern refurbished pool deck area, spa, and spacious gym. The hotel completed a soft-refurbishment on its rooms in 2017, which transformed the guestroom interiors with a vibrant and colourful new design. Business guests are also well catered for at this hotel with a number of meeting rooms available, which feature natural light and modern AV technology, accommodating up to 350 delegates. The hotel was awarded Gold Planet 21 rating in 2015 for its sustainability efforts.

Ibis Perth features 192 rooms, just 300 metres from the Murray and Hay Street shopping malls and around the corner from the popular King Street shopping strip. The hotel also offers a full service restaurant, casual bar and café, 24-hour room services and three function rooms catering for up to 200 guests. Other features include, secure covered parking, business centre and secure guest access to all hotel floors. The hotel was awarded the ISO 14001 environmental certification, Gold Planet 21 rating in 2015 and Bronze Planet 21 rating in 2017 for its sustainability efforts.

(1) The properties were valued by CBRE Valuations Pty Limited using a combination of the Capitalisation and Discounted Cash Flow approaches

(2) Based on the average exchange rate of A\$1.00 = S\$1.0083

PROPERTY PORTFOLIO

GRAND MILLENNIUM AUCKLAND

NEW ZEALAND



Lobby

71-87, MAYORAL DRIVE, AUCKLAND

Overlooking the Auckland Central Business District, Grand Millennium Auckland is New Zealand's largest deluxe hotel located within walking distance to Auckland's convention and retail precincts.

452

GUEST ROOMS

NZ\$233M

VALUATION AS AT 31 DEC 2018

5,910

SQ M LAND AREA



Twin Room



Lobby

PROPERTY DETAILS

Number of guest rooms: 452

Number of food & beverage outlets:

Three outlets comprising Grand Millennium Brasserie, Katsura Japanese Restaurant and the Atrium Lounge

Banquet/Conference/Meeting facilities:

15 meeting spaces comprising over 1,619 sq m offering a variety of flexible multi-function rooms that can be used for intimate board meetings through to large gala dinners, exhibitions or cocktail functions for up to 1,000 delegates

Car park facilities: 258 car park lots

Land area: 5,910.0 sq m

Title: Freehold

Purchase price at 19 December 2006:

NZ\$113.0 million

Valuation ⁽¹⁾ as at 31 December 2018:

NZ\$232.5 million

MASTER LEASE DETAILS

Master lessee: Hospitality Services Limited, a subsidiary of Millennium & Copthorne Hotels New Zealand Limited

Term of lease:

Three years from 7 September 2016 with options to renew for two further 3-year terms each

Minimum rental income: NZ\$6.0 million

FY 2018 KEY FINANCIALS

Rental income: S\$17.8 million ⁽²⁾

(NZ\$19.1 million)

Net property income: S\$17.8 million ⁽²⁾

(NZ\$19.1 million)

Average occupancy rate: 89.6%



The 452-room Grand Millennium Auckland is a prime 12-storey atrium-styled hotel located in New Zealand's main gateway city. The property is the largest hotel in the city, situated in the heart of Auckland, only 600 metres south of the Sky City entertainment complex, and minutes from all major commercial buildings and the University of Auckland.

A key highlight of the hotel's location is its proximity to Auckland Conventions, Auckland's prime convention precinct which comprises four of Auckland's finest venues: Aotea Centre, The Civic, Auckland Town Hall and Aotea Square. The hotel is also within walking distance to the casino.

The hotel has complementary and extensive conference facilities with approximately 1,619 sq m of meeting space that can accommodate up to 1,000 delegates. It also provides a full-serviced business centre which offers additional boardrooms.

The hotel offers varied dining options from an extensive buffet breakfast, and a la carte dinner menu in Grand Millennium Brasserie to Japanese cuisine in Katsura and light lunch and dinner options in the Atrium Lounge.

Notable accolades include:

- TripAdvisor Certificate of Excellence (2012 – 2018)
- New Zealand Beef and Lamb Award (2015 – 2016) Grand Millennium Brasserie

(1) The property was valued by CIVAS Limited trading as Colliers International using a combination of the Capitalisation and Discounted Cash Flow approaches

(2) Based on the average exchange rate of NZ\$1.00 = S\$0.9333

PROPERTY PORTFOLIO

ANGSANA VELAVARU

MALDIVES

**VELAVARU ISLAND, SOUTH NILANDHE ATOLL, REPUBLIC OF MALDIVES**

Located in a picturesque lagoon in Maldives, Angsana Velavaru offers two distinct experiences with its beachfront villas and its standalone water villas.

113

VILLAS

US\$57M

VALUATION AS AT 31 DEC 2018

67,717

SQ M LAND AREA



InOcean Villa

Lobby

PROPERTY DETAILS

Number of guest rooms:

79 Beachfront Villas, 34 InOcean Villas

Number of food & beverage outlets:

Three restaurants and two bars comprising Kaani Restaurant, Funa Restaurant, Castaway Island Dining, Azzurro Bar and Kuredi Bar

Other facilities:

Angsana Spa & Gallery, extensive recreational activities, Marine Conservation Lab, PADI 5 Star Gold Palm Dive Centre, Kids Club, Wedding Pavilion

Land area: 67,717 sq m

Title: 50-year leasehold interest commencing from 26 August 1997

Purchase price at 31 January 2013:

US\$71.0 million

Valuation ⁽¹⁾ as at 31 December 2018:

US\$57.0 million

MASTER LEASE DETAILS

Master lessee: Maldives Bay Pvt Ltd, a subsidiary of Banyan Tree Holdings Limited

Term of lease:

10 years from 1 February 2013

Minimum rental income: Minimum rent of US\$6.0 million per year guaranteed by master lessee / Banyan Tree Holdings Limited, subject to maximum rent reserve of US\$6.0 million for the lease term

FY 2018 KEY FINANCIALS

Rental income: S\$8.1 million ⁽²⁾

(US\$6.0 million)

Net property income: S\$7.1 million ⁽²⁾

(US\$5.3 million)

Average occupancy rate: 44.2%



Maldives is a nation of coral islands scattered across the Indian Ocean, consisting 26 natural atolls with over 1,100 islands. Maldives' tropical climate, white beaches, rich marine environment, "one-island-one-resort" concept and ease of accessibility from Europe, the Middle East and Asia have firmly established the island paradise as a top-tier destination for luxury tourism.

The property is located at the southern edge of Maldives archipelago in the South Nilandhe Atoll. It occupies the island of Velavaru, one of the more intimate lagoons in Maldives. The Angsana Velavaru resort is a 40-minute scenic seaplane ride from Malé International Airport. It comprises 79 Beachfront Villas and 34 InOcean Villas, providing guests the opportunity to enjoy two distinct experiences at one resort. To strengthen Angsana Velavaru's product offering and market positioning, refurbishment works are being planned.

Offering Maldivian resort styles, Angsana Velavaru is positioned for romantic vacations and family and group getaways. Angsana Velavaru is the first resort to introduce the concept of standalone water villas, which are exclusively positioned at the edge of the reef about one kilometre away from the main island. Facilities within the resort include three restaurants, two bars, a private picnic island, an award-winning spa, cooking classes, lifestyle gallery, a marine conservation lab, water sports and dive center and kids' club.

Notable accolades include:

- Luxury Travel Guide Spa & Wellness Awards 2018
- Southern China Extreme Tourism Awards 2017 by Guangzhou Daily – Favorite Island Hotel Resort
- Destination Reader's Choice Awards 2017 – Top 10 Best Hotel in Maldives
- Agoda.com Gold Circle Award 2015
- Best Luxury Beauty Spa – Winner 2013 – World Luxury

(1) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation and Discounted Cash Flow approaches

(2) Based on the average exchange rate of US\$1.00 = S\$1.3482

PROPERTY PORTFOLIO

RAFFLES MALDIVES MERADHOO*

MALDIVES



Arrival Pavilion (Rendering)

MERADHOO ISLAND, GAAFU ALIFU ATOLL, REPUBLIC OF MALDIVES

Tucked away at the southern edge of Maldives archipelago, Raffles Maldives Meradhoo is the premier destination that focuses on personalised luxury of the highest standard. Its spacious beachfront and over-water villas are among the largest in the Maldives.

37

VILLAS

US\$50M

VALUATION AS AT 31 DEC 2018

53,576

SQ M LAND AREA



Beach Villa

PROPERTY DETAILS

Number of guest rooms:

21 Beachfront Villas, 16 Over-Water Villas

Number of food & beverage outlets:

Three restaurants comprising Thari, Yuzu and The Firepit and two bars comprising Long Bar and Yapa Sunset Bar

Other facilities:

PADI 5 Star dive and water sports centre, Raffles Spa, over-water fitness and yoga studio, two infinity edge pools, 24-hour butler service, library and resort boutique

Land area: 53,576 sq m

Title: 50-year leasehold interest commencing from 15 June 2006

Purchase price at 31 December 2013:

US\$59.6 million

Valuation ⁽¹⁾ as at 31 December 2018:

US\$50.0 million

HOTEL MANAGEMENT AGREEMENT DETAILS

Operator: AAPC (Maldives) Private Limited

Term of hotel management agreement:

20 years from official rebranding date ⁽²⁾ with an option to renew for another five years

FY 2018 KEY FINANCIALS

During 2018, the resort continued to operate under the temporary identity of Dhevanafushi Maldives Luxury Resort. The resort was closed on 1 June 2018 for renovation works and will reopen as Raffles Maldives Meradhoo in 2019.

Gross hotel revenue: S\$4.7 million ⁽³⁾
(US\$3.5 million)

Net property income: -S\$3.7 million ⁽³⁾
(-US\$2.7 million)

Average occupancy rate: 49.1%



Long Bar (Rendering)

Raffles Maldives Meradhoo is located at the southern edge of the Maldives archipelago in the Gaafu Alifu Atoll, occupying the exclusive Meradhoo Island and its surrounding crystal clear lagoon. The resort is accessible via a 55-minute domestic flight from Malé International Airport to Kaadedhdhoo Airport, followed by a 15-minute speedboat journey.

Following an extensive enhancement exercise, the resort will officially reopen in 2019 under the iconic collection of Raffles Hotels and Resorts. The 37-villa resort features 16 over-water villas and 21 beachfront villas, each with their own private pool. The resort competes at the top end of the Maldives luxury market and the extremely spacious villas are among the largest in the destination. The offering is that of an all-suite resort comprising of one and two-bedroom villas ranging from approximately 220 to 300 sq m. The luxurious beachfront villas occupy the main island of Meradhoo; with the over-water villas located some 800 metres away. The over-water villas boast high ceilings and full-length floor-to-ceiling windows that provide panoramic views of the Indian Ocean from the bedroom, bathroom and living room.

Raffles Maldives Meradhoo offers a wide range of dining options including three restaurants and two bars, comprising Thari, an all-day diner; Yuzu, a Peruvian and Japanese fusion restaurant; The Firepit, where guests can enjoy various flame-frilled chef specialty dishes; the popular Long Bar on the main island, where guests can explore a list of the world's most prestigious champagnes and wines; and the over-water Yapa Sunset Bar, which serves inspired national drinks of South America and Japan. There are also leisure and spa options within the property including a spa, an over-water gym and yoga studio, two infinity edge pools, a PADI 5 Star dive and water sports centre, a library and a resort boutique.

* To be rebranded as Raffles Maldives Meradhoo after the resort's reopening as agreed under the Hotel Management Agreement

(1) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation and Discounted Cash Flow approaches

(2) Date to be mutually agreed between parties pursuant to the Hotel Management Agreement

(3) Based on the average exchange rate of US\$1.00 = S\$1.3482

PROPERTY PORTFOLIO

HOTEL MYSTAYS ASAKUSABASHI & MYSTAYS KAMATA

JAPAN


1-5-5 ASAKUSABASHI, TAITO-KU, TOKYO
5-46-5 KAMATA, OTA-KU, TOKYO

Located in close proximity to major transportation networks and tourist attractions, the hotels appeal to both business and leisure travellers.

ASAKUSABASHI

139

GUEST ROOMS

564

SQ M LAND AREA

¥4.0B

VALUATION AS AT 31 DEC 2018

KAMATA

116

GUEST ROOMS

497

SQ M LAND AREA

¥2.7B

VALUATION AS AT 31 DEC 2018



Double Room, Hotel MyStays Asakusabashi



Single Room, Hotel MyStays Kamata

PROPERTY DETAILS

Hotel:	Hotel MyStays Asakusabashi	Hotel MyStays Kamata
Number of guest rooms:	139	116
Other facilities:	1 convenience store	N.A.
Car park facilities:	6 car park lots	6 car park lots
Land area:	564 sq m	497 sq m
Title:	Freehold	Freehold
Purchase price at 19 December 2014:	¥3.20 billion	¥2.60 billion
Valuation ⁽¹⁾ as at 31 December 2018:	¥4.00 billion	¥2.74 billion

HOTEL MANAGEMENT AGREEMENT DETAILS

Operator:	MyStays Hotel Management Co., Ltd.
Term of hotel management agreement:	Expires on 18 July 2019

FY 2018 KEY FINANCIALS

Gross hotel revenue:	S\$5.6 million ⁽²⁾ (¥457.4 million)	S\$4.1 million ⁽²⁾ (¥338.3 million)
Net property income:	S\$2.8 million ⁽²⁾ (¥230.3 million)	S\$2.0 million ⁽²⁾ (¥167.4 million)
Average occupancy rate:	93.2%	93.4%

Opened in late 2009, both hotels are within close proximity to major transportation networks and tourist attractions.

Hotel MyStays Asakusabashi is a business (economy) hotel which is located in central Tokyo. It has easy access to Asakusa and Akihabara, and is only a few stations away from several popular sightseeing spots and attractions, such as the traditional cultural area of Asakusa. The hotel is also within walking distance to various subway and railway stations. The hotel's modern rooms feature a décor of elegant simplicity catering to travellers of either business or leisure. 24 rooms equipped with kitchenettes allow long-stay visitors to have the option of cooking their own meals. A convenience store is also located on the ground floor and a variety of dining options are available around the hotel. In first quarter of 2018, three rooms were converted into a traditional Japanese design to appeal to international guests.

Hotel MyStays Kamata is a business (economy) hotel, located near to Keikyu-Kamata Station which is only a 10-minute train ride from Haneda Airport. It is within 4 minutes to JR Kamata Station and Tokyu Kamata Station where there are convenient access to major core cities such as Shinagawa, Kawasaki, Yokohama and Shibuya. The hotel's cosy rooms with refined interiors offer a comfortable environment for guests who are travelling alone or otherwise. The hotel also has 25 rooms equipped with kitchenettes, suitable for long-stay guests.

Notable accolades received by both properties include:

- TripAdvisor Certificate of Excellence (2014 – 2016)

(1) The Japan Hotels were valued by Cushman & Wakefield K.K. using a combination of the Capitalisation and Discounted Cash Flow approaches

(2) Based on the average exchange rate of S\$1.00 = ¥81.97

PROPERTY PORTFOLIO

HILTON CAMBRIDGE CITY CENTRE

UNITED KINGDOM



Executive Lounge

20 DOWNING STREET, CAMBRIDGE

Situated in a prime location in the heart of Cambridge city centre, the hotel is beside the main thoroughfare and within the vicinity of popular tourist attractions.

198

GUEST ROOMS

£63M

VALUATION AS AT 31 DEC 2018

~3,600

SQ M LAND AREA



Bull & Bass Restaurant



PROPERTY DETAILS

Number of guest rooms: 198

Number of food & beverage outlets:

Two outlets comprising Bull & Bass Restaurant, and Bar & Lounge

Banquet/Conference/Meeting facilities:

Five function rooms comprising approximately 400 sq m of event space which can be used for intimate board meetings with the latest integrated audio visual technology through to hosting of celebration dinners for up to 150 persons

Other facilities:

Executive Lounge, LivingWell Fitness Gym and The Roguery Barbers Cambridge

Land area: ~3,600.0 sq m

Title: 125-year leasehold interest commencing from 25 December 1990 ⁽¹⁾

Purchase price at 1 October 2015:

£61.5 million ⁽²⁾

Valuation ⁽³⁾ as at 31 December 2018:

£63.2 million

HOTEL MANAGEMENT

AGREEMENT DETAILS

Operator: Hilton UK Manage Limited, an affiliate of Hilton Worldwide Inc.

Term of hotel management agreement:

1 October 2015 to 31 December 2027

FY 2018 KEY FINANCIALS

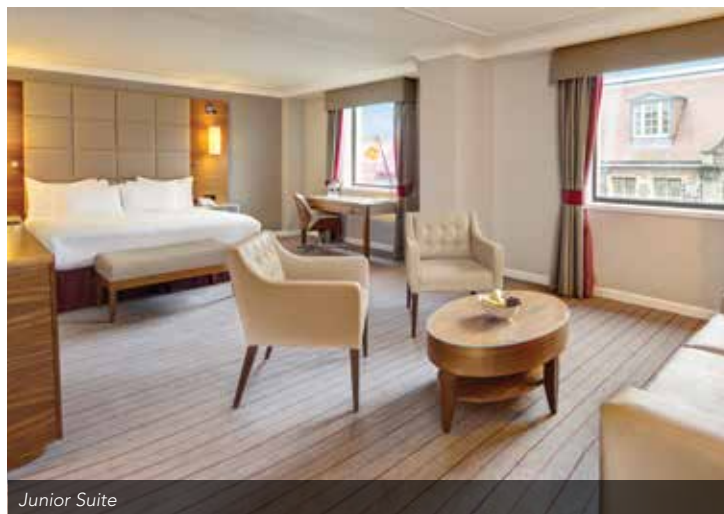
Gross hotel revenue: S\$20.8 million ⁽⁴⁾

(£11.6 million)

Net property income: S\$7.7 million ⁽⁴⁾

(£4.3 million)

Average occupancy rate: 76.4%



Junior Suite

Hilton Cambridge City Centre is an upper upscale hotel with 198 rooms and suites, and arguably the best located and largest hotel in Cambridge city. It boasts a prime location in the heart of Cambridge City Centre, being 1.6 km from Cambridge railway station and is situated beside the main shopping and historic attraction thoroughfare. It is also within the vicinity of popular tourist destinations such as King's College, Trinity College, Fitzwilliam Museum, Cambridge University Botanic Gardens, and the River Cam. The Grand Arcade Shopping Centre, the city's largest shopping mall, is also adjacent to the property. The hotel's extensive suite of facilities includes: two food & beverage outlets, the 24-hour LivingWell Fitness Gym, 24-hour In-room Dining, an exclusive Executive Lounge, undercover car parking, and events' space for up to 200 people.

The new LivingWell Fitness Gym opened for both hotel guests and external members, featuring the latest Precor equipment and two Watt bikes. The exclusive Executive Lounge and a new restaurant concept, Bull & Bass, which serves surf and turf dishes paired with exquisite wines, opened in 2017. The Roguery concession open, a high-end male-grooming barber, opened in 2018.

Notable accolades include:

- Booking.com Gold Certificate of Excellence 2018
- Silver Accreditation for Overall Customer Experience in Cambridge BID Awards 2018
- Gold Accreditation for Bull & Bass Restaurant in Cambridge BID Awards 2018
- HolidayCheck Certificate of Excellence 2018
- Hotels.com Certificate of Excellence 2018
- TripAdvisor Certificate of Excellence (2015 – 2017)
- Accreditation by the Meeting Industry Association 2017

(1) The lease term may be extended for a further term of 50 years pursuant to lessee's (CDLHT) option to renew under the lease granted by the head lessor (Cambridge City Council)

(2) The purchase price of £61.5 million refers to the price of the property and excludes the adjustment for net working capital

(3) The property was valued by Cushman & Wakefield Debenham Tie Leung Limited using the Discounted Cash Flow approach

(4) Based on the average exchange rate of £1.00 = S\$1.7986

PROPERTY PORTFOLIO

THE LOWRY HOTEL

UNITED KINGDOM



Presidential Suite

50 DEARMANS PLACE, SALFORD, MANCHESTER M3 5LH

The iconic 5-star hotel is located in proximity to the heart of Manchester city centre and also within the vicinity of top office developments.

165

GUEST ROOMS

£53M

VALUATION AS AT 31 DEC 2018

~2,200

SQ M LAND AREA



Riverside Suite



PROPERTY DETAILS

Number of guest rooms: 165

Number of food & beverage outlets:

Two outlets comprising The River Restaurant and The River Bar & Lounge

Banquet/Conference/Meeting facilities:

Eight purpose-built meeting rooms for private events or business conferences and a grand ballroom for up to 400 people

Other facilities:

One gym including saunas and a spa, and a hair salon

Car park facilities: 113 car park lots

Land area: ~2,200.0 sq m

Title: 150-year leasehold interest commencing 18 March 1997

Purchase price at 4 May 2017:

£52.5 million ⁽¹⁾

Valuation ⁽²⁾ as at 31 December 2018:

£53.0 million

Vacant Possession: Owner-operated, free of operator or brand

FY 2018 KEY FINANCIALS

Gross hotel revenue: S\$23.4 million (£13.0 million) ⁽³⁾

Net property income: S\$5.2 million (£2.9 million) ⁽³⁾

Average occupancy rate: 84.4%



The River Restaurant

The Lowry Hotel is an iconic 5-star luxury hotel which offers 165 rooms and a comprehensive suite of facilities and is located in proximity to the heart of Manchester city centre. It is also within the vicinity of top office developments such as Spinningfields, prominent retail establishments such as the Arndale Shopping Centre, one of the busiest retail malls in UK, and entertainment hubs such as Royal Theatre Exchange, the Manchester Opera House and the Manchester Arena.

The Lowry Hotel is also well known throughout United Kingdom and since its opening in 2001, the hotel has hosted many notable celebrities, prominent foreign dignitaries, sports stars as well as prestigious football teams.

In keeping up with efforts to enhance The Lowry Hotel's position as one of the top hotels in Manchester, the Presidential Suite was renovated in the second half of 2018. As the largest accommodation in the region at above 180 sq m, the new Presidential Suite was designed for optimum luxury with a residential feel and also enjoys panoramic views over the city.

Notable accolades include:

- Best Bedroom CHS Awards 2017
- Best Large Hotel, Manchester Tourism Awards 2014
- Best Hotel at the Downtown in Manchester Business Awards 2013
- Best Hotel in the UK at The International Hotel Awards 2013

(1) The purchase price of £52.5 million refers to the price of the property and excludes the adjustment for net working capital

(2) The property was valued by Cushman & Wakefield Debenham Tie Leung Limited using the Discounted Cash Flow approach

(3) Based on the average exchange rate of £1.00 = S\$1.7986

PROPERTY PORTFOLIO

PULLMAN HOTEL MUNICH

GERMANY



Courtyard

THEODOR-DOMBART-STRASSE 4, 80805 MUNICH, GERMANY

Strategically located adjacent to a commercial district which is home to a variety of national and international companies, the hotel also boasts convenient accessibility and is in proximity to many of Munich's popular tourist destinations.

337

GUEST ROOMS

€116M

VALUATION AS AT 31 DEC 2018

~8,189

SQ. M LAND AREA



Lobby



Executive Room

PROPERTY DETAILS

Number of guest rooms: 337

Number of food & beverage outlets:

Five outlets comprising Theo's Restaurant, Theo's Bar, Theo's Beer Garden Terrace, Theo's Castaway Beach and Theo's Lounge

Banquet/Conference/Meeting facilities:

Two conference rooms for up to 80 people

Other facilities:

400 sq m of fitness and spa area

Commercial components of the property has four retail and seven office tenants (committed occupancy rate as 31 December 2018: 92.2%)

Car park facilities: 200 car park lots

The car park facilities are shared with the commercial components of the property

Land area: ~8,189 sq m

Title: Freehold

Purchase price at 14 July 2017:

€98.9 million ⁽¹⁾

Valuation ⁽²⁾ as at 31 December 2018:

€115.5 million

MASTER LEASE DETAILS

Master lessee: UP Hotel Operations GmbH & Co. KG (a wholly-owned subsidiary of EVENT Hotels)

Term of lease: 20 years commencing from 14 July 2017

Minimum rental income: €3.6 million

FY 2018 KEY FINANCIALS

Rental income: S\$10.9 million

(€6.8 million) ⁽³⁾

Net property income: S\$9.7 million

(€6.1 million) ⁽³⁾

Average occupancy rate: 81.4%



Theo's Restaurant

Pullman Hotel Munich is a 4-star hotel with 337 rooms and a comprehensive suite of facilities, as well as secondary spaces currently let out to four retail and seven office tenants.

The hotel is strategically located adjacent to the commercial district of "Parkstadt Schwabing", which is home to a variety of national and international companies. It boasts convenient accessibility, with motorways connecting Munich to Berlin and Frankfurt within a two-minute drive away, and the Munich railway station and Munich International Airport being accessible via a short drive. Travellers also have direct access to Munich International Airport via the Lufthansa Express Bus service, which stops diagonally opposite the hotel and runs at regular 15 minute intervals, offering significant cost savings and ease of travel to the airport within 25 minutes.

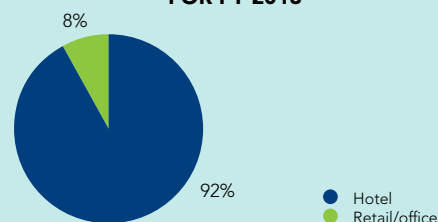
The hotel is also in proximity to many of Munich's popular tourist destinations including the English Garden, the BMW headquarters and Allianz Arena.

In 2012, the hotel underwent a full rebranding and renovation of its guest rooms, food and beverage outlets, spa and lobby areas.

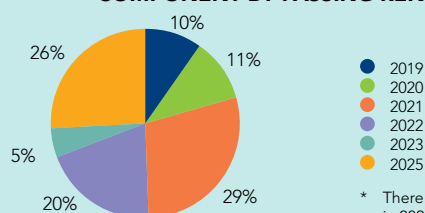
Notable accolades include:

- TripAdvisor Certificate of Excellence – 2017
- Booking.com Guest Review Awards – 2016

TENANT MIX BY RENTAL INCOME FOR FY 2018



LEASE EXPIRY ANALYSIS OF OFFICE/RETAIL COMPONENT BY PASSING RENT*



* There are no leases expiring in 2024

(1) The purchase price of €98.9 million is based on H-REIT's effective 94.5% interest in Pullman Hotel Munich, its commercial components and the furniture, fixture and equipment. This excludes the adjustment for net working capital. On the basis of 100% interest, the purchase price is €104.7 million

(2) The property was valued by CBRE GmbH using the Discounted Cash Flow approach

(3) Based on the average exchange rate of €1.00 = S\$1.5924

PROPERTY PORTFOLIO

HOTEL CERRETANI FLORENCE, MGALLERY BY SOFITEL

ITALY



Junior Suite

VIA DE' CERRETANI 68, 50123 FLORENCE, ITALY

The hotel has an exceptional location in the heart of Florence's historic city centre, with world-famous tourist attractions, good connectivity and transportation within walking distance.

86

GUEST ROOMS

€44M

VALUATION AS AT 25 JUL 2018

~1,350

SQ M LAND AREA



Lobby



Il Michelangelo Bar

PROPERTY DETAILS

Number of guest rooms: 86

Number of food & beverage outlets:

Two outlets comprising "Il Patio" Restaurant (which serves breakfast) and "Il Michelangelo" Bar

Land area: ~1,350.0 sq m

Title: Freehold

Purchase price at 27 November 2018:

€40.6 million ⁽¹⁾

Valuation ⁽²⁾ as at 25 July 2018:

€43.8 million

MASTER LEASE DETAILS

Master lessee: FC Operations Hotel SRL, affiliated to EVENT Hotels

Term of lease: 20 years commencing from 27 November 2018

Minimum rental income: €1.3 million

FY 2018 KEY FINANCIALS

Rental income: S\$0.2 million
(€0.1 million) ^{(3) (4)}

Net property income: S\$0.1 million
(€0.1 million) ^{(3) (4)}

Average occupancy rate: 77.7% ⁽⁵⁾



Hotel Cerretani Florence, MGallery by Sofitel is a 4-star hotel with 86 rooms. Boasting an exceptional location in the heart of Florence's historic city centre, the hotel is within walking distance to world famous tourist attractions including the cathedral of Santa Maria del Fiore (Il Duomo), Ponte Vecchio, Galleria dell' Accademia, and the Uffizi Gallery, which houses some of the most important works of the Renaissance, such as those by Leonardo da Vinci, Botticelli and Michelangelo.

The main train station is only an 8-minute walk from the hotel while Florence International Airport is also easily accessible via a relatively short 25-minute drive.

In 2016, the hotel underwent a full renovation of all its guest rooms and public areas.

(1) The purchase price of €40.6 million is based on H-REIT's effective 95.0% interest in Hotel Cerretani Florence and the furniture, fixture and equipment. This excludes the adjustment for net working capital. On the basis of 100% interest, the purchase price is €42.7 million

(2) The property was valued by HVS – Global Hospitality Services using the Discounted Cash Flow approach

(3) Based on the average exchange rate of €1.00 = S\$1.5924

(4) As Hotel Cerretani Florence was acquired on 27 November 2018, the numbers only include the contribution from 27 November 2018 to 31 December 2018

(5) This assumes CDLHT owned Hotel Cerretani Florence for the full period of FY 2018

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CORPORATE GOVERNANCE

CDL Hospitality Trusts ("**CDLHT**") is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and CDL Hospitality Business Trust ("**HBT**") (the "**Stapled Group**") pursuant to a Stapling Deed dated 12 June 2006 (as amended) and each Stapled Security consists of one H-REIT Unit and one HBT Unit and is treated as a single instrument. M&C REIT Management Limited (the "**H-REIT Manager**") was appointed manager of H-REIT in accordance with the terms of the Trust Deed dated 8 June 2006 (as amended) between the H-REIT Manager and DBS Trustee Limited, the H-REIT Trustee. M&C Business Trust Management Limited (the "**HBT Trustee-Manager**") was appointed the trustee-manager of HBT in accordance with the terms of the Trust Deed constituting HBT dated 12 June 2006 (as amended).

The H-REIT Manager has general powers of management over the assets of H-REIT and its main responsibility is to manage H-REIT's assets and liabilities for the benefit of the holders of H-REIT Units. The H-REIT Manager is responsible for formulating the business plans in relation to H-REIT's properties and in this regard, it works closely with the master lessees of H-REIT's properties to implement H-REIT's strategies. In addition, the H-REIT Manager sets the strategic direction of H-REIT and gives recommendations to the H-REIT Trustee on acquisitions, divestment or enhancement of H-REIT's assets in accordance with its stated investment strategies.

Other roles and responsibilities of the H-REIT Manager include:

- Managing, enhancing and maintaining Claymore Connect aimed at achieving high occupancy levels at a good yield.
- Using its best endeavours to ensure that the business of H-REIT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or for H-REIT at arm's length and on normal commercial terms.
- Ensuring that H-REIT complies with the relevant applicable laws and regulations, including the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), the Listing Rules issued by Singapore Exchange Securities Trading Limited ("**Listing Manual of SGX-ST**"), the Code on Collective Investment Schemes (including the Property Funds Appendix), the conditions set out in the Capital Markets Services ("**CMS**") Licence for REIT Management issued by the Monetary Authority of Singapore ("**MAS**"), the H-REIT Trust Deed, the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of H-REIT and the holders of the Stapled Securities and all relevant contracts.

The H-REIT Manager holds a CMS licence issued by MAS to conduct real estate investment trust management activities as required under the licensing regime for real estate investment trust managers. In addition, employees of the H-REIT Manager who are engaged in investment management, asset management, financing, marketing and investor relations functions are holders of CMS representative licences.

HBT acts as the master lessee of Dhevanafushi Maldives Luxury Resort ⁽¹⁾, a resort in the Maldives currently going through re-branding programme, as well as the Japan hotels acquired by H-REIT. In addition to its function as a master lessee, HBT undertakes certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT. HBT is the owner of Hilton Cambridge City Centre, a purpose-built upper upscale hotel located in Cambridge, United Kingdom, which is managed by the Hilton Hotels and Resorts and The Lowry Hotel, a purpose-built 5-star luxury hotel located in Manchester, United Kingdom.

The HBT Trustee-Manager has the dual responsibility of safeguarding the interests of the HBT Unitholders, and managing the business conducted by HBT. The HBT Trustee-Manager has general powers of management over the assets of HBT and its main responsibility is to manage HBT's assets and liabilities for the benefit of the HBT Unitholders. The HBT Trustee-Manager also sets the strategic direction of HBT and works closely with the hotel managers where it is the master lessee or owner of the properties.

Both H-REIT and HBT are externally managed by the H-REIT Manager and the HBT Trustee-Manager (collectively, the "**Managers**") respectively. Accordingly, both H-REIT and HBT do not have personnel of their own. The H-REIT Manager and the HBT Trustee-Manager employ experienced and well-qualified management staff to run the day-to-day operations of H-REIT and HBT. The Directors and employees of the H-REIT Manager and HBT Trustee-Manager are remunerated by the H-REIT Manager and HBT Trustee-Manager and not by H-REIT, HBT or CDLHT.

This report sets out the corporate governance practices of both the Managers as they have adopted a similar set of corporate governance practices, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). The Managers have also taken note of the updated principles and guidelines in the revised Code of Corporate Governance 2018 ("**2018 Code**"), and where the Managers' practices are already aligned with the new provisions under the 2018 Code, these are highlighted within this report. Where there are differences in practice from the principles and guidelines under the 2012 Code, the Managers' position in respect of the same is also explained in this report.

¹ The property was acquired as Jumeirah Dhevanafushi in 2013. From September 2017 to June 2018, the resort operated under the temporary identity of Dhevanafushi Maldives Luxury Resort as part of its operator transition programme. It was closed from June 2018 for renovation works and will reopen as Raffles Maldives Meradhoo in 2019.

CORPORATE GOVERNANCE

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Primary Functions of the H-REIT Manager Board and the HBT Trustee-Manager Board

Both the H-REIT Manager Board and the HBT Trustee-Manager Board are responsible for the overall corporate governance of the Managers respectively, including establishing goals for management and monitoring the achievement of these goals. The Managers' Boards are also responsible for setting strategic business objectives and direction as well as the risk management of H-REIT and HBT, and to ensure that necessary financial, operational and human resources are in place for the Managers to meet their objectives. All Board members of the H-REIT Manager and the HBT Trustee-Manager participate in matters relating to corporate governance including setting corporate values and ethical standards, business operations and risk management, financial performance, engaging key stakeholder groups and the nomination and review of performance of Directors and key personnel. A Code of Business and Ethical Conduct duly approved by the Managers' Board is in place.

The H-REIT Manager Board and the HBT Trustee-Manager Board have established a framework for the management of the Managers, H-REIT and HBT, including a system of internal controls and business risk management processes. The Managers' Boards meet quarterly or more often if necessary to (i) review respectively the financial performance of H-REIT and HBT against previously approved budgets, (ii) review the business risks of H-REIT and HBT respectively, (iii) examine liability management, (iv) oversee the sustainability policies and proposals of H-REIT and HBT, and (v) act upon any recommendations and/or comments from both the internal and external auditors of H-REIT and HBT respectively. In assessing business risks, the Managers' Boards also consider the economic environment and risks relevant to the property and hospitality industries. They also review management reports and feasibility studies on individual projects prior to approving major transactions.

Directors' Objective Discharge of Duties and Declaration of Interests

All the Managers' Directors are required to objectively discharge their duties and responsibilities in the interests of H-REIT and HBT. Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50 and the SFA, where relevant, and also voluntarily abstain from participating in the deliberation on the same. The Boards of the Managers have each established Nominating and Remuneration Committees ("**NRCs**") which recommend to the Boards of the H-REIT Manager and the HBT Trustee-Manager the appointments/re-appointments to the Board and Board Committees and assess the independence of Directors. When assessing the independence of Directors, the NRCs take into account the individual Director's objectivity, independent thinking and judgement.

Delegation by the H-REIT Manager Board and the HBT Trustee-Manager Board

The primary functions of the H-REIT Manager Board and the HBT Trustee-Manager Board are either carried out directly by the H-REIT Manager Board and the HBT Trustee-Manager Board or through committees established by the H-REIT Manager Board and the HBT Trustee-Manager Board, namely the Audit and Risk Committees ("**ARCs**") and NRCs (collectively, the "**Committees**").

Specific written terms of reference, duly approved by the H-REIT Manager Board and the HBT Trustee-Manager Board respectively, set out the authority and duties of the Committees including reporting back to the Board (*Note: aligned with Provision 1.4 of the 2018 Code*). The H-REIT Manager Board and the HBT Trustee-Manager Board review such terms of reference periodically to ensure their continued relevance. The composition of the Committees can be found under the corporate directory section in this Annual Report 2018 ("**Annual Report**").

The delegation of authority by the H-REIT Manager Board and the HBT Trustee-Manager Board to the respective Committees enables the H-REIT Manager Board and the HBT Trustee-Manager Board to achieve operational efficiency by empowering these Committees to decide, review and make recommendations on matters within their respective written terms of reference and/or limits of delegated authority and yet without abdicating their respective overall responsibility.

Committees	Composition
Audit & Risk Committee	Foo Say Mui (Bill) Ronald Seah Lim Siang Kenny Kim
Nominating & Remuneration Committee	Ronald Seah Lim Siang Foo Say Mui (Bill) Cheah Sui Ling

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CORPORATE GOVERNANCE

Further information on the activities of the ARCs and NRCs can be found in the sections on Principles 4, 5, 7, 8, 9, 11, 12 and 13 in this report.

Board Processes of the H-REIT Manager and the HBT Trustee-Manager

Meetings of the Board, ARC and NRC of the Managers were held regularly. Seven Board Meetings, four ARC Meetings and two NRC Meetings were held by the Managers' Boards and Committees in 2018.

A meeting of the Independent Directors ("IDs") of the H-REIT Manager Board and HBT Trustee-Manager Board, chaired by the lead independent Director ("Lead ID") was also held in 2018 to discuss matters without the presence of Management and the Board Chairman and feedback was provided to the Board after such meetings.

The attendance of the H-REIT Manager Directors and the HBT Trustee-Manager Directors at meetings of the Board and Committees of the Managers, as well as the frequency of such meetings during 2018, are disclosed below. Notwithstanding such disclosure, the H-REIT Manager Board and the HBT Trustee-Manager Board are of the view that the contribution of each Director should not be focused only on his/her attendance at meetings of the Board and/or the Committees.

The proposed meetings for the Board and Committees of the Managers for each new calendar year are set out in a schedule of meetings and notified to all members of the Managers' Boards before the start of each calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings, including discussions on key deliberations and decisions taken, are maintained by the Company Secretaries. The Managers' respective Constitutions allow for meetings of their Board and Committees to be held via teleconferencing. The H-REIT Manager Board and the HBT Trustee-Manager Board as well as their Committees may also make decisions by way of circulating written resolutions.

A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which will further the interests of H-REIT and HBT.

Directors' Attendance at the General Meetings and Meetings of Board, the Committees and IDs in 2018

	General Meetings	Board	ARC	NRC	ID
Number of meetings held in 2018	2	7	4	2	1
Name of Directors					
Wong Hong Ren ⁽¹⁾	N. A.	2/2	N. A.	1/1	N. A.
Chan Soon Hee, Eric ⁽²⁾	N. A.	3/3	N. A.	N. A.	N. A.
Vincent Yeo Wee Eng	2/2	7/7	N. A.	N. A.	N. A.
Ronald Seah Lim Siang	2/2	7/7	4/4	2/2	1/1
Foo Say Mui (Bill)	2/2	7/7	4/4	2/2	1/1
Kim Kenny	2/2	7/7	4/4	N. A.	1/1
Cheah Sui Ling ⁽³⁾	2/2	7/7	N. A.	1/1	0/1

(1) Mr Wong Hong Ren, who resigned as a Director on 12 February 2018, had attended two Board Meetings and one NRC Meeting held prior to his resignation.

(2) Mr Chan Soon Hee, Eric, who was appointed as a Director on 22 June 2018, had attended three Board Meetings held after his appointment.

(3) Ms Cheah Sui Ling, who was appointed as a member of the NRC on 12 February 2018, had attended one NRC Meeting held after her appointment.

H-REIT Manager Board and the HBT Trustee-Manager Board Approval

The H-REIT Manager Board and the HBT Trustee-Manager Board have in place an internal guide wherein certain key matters are specifically reserved for approval by the H-REIT Manager Board and the HBT Trustee-Manager Board respectively, and these include decisions on material capital expenditure and undertakings or all acquisition and disposal of properties of H-REIT and HBT, setting of strategic decisions or policies or financial objectives which are, or may be significant, in terms of future profitability or performance of H-REIT and HBT as well as decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector, corporate or financial restructuring, decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings other than in the ordinary course of business, adoption of corporate governance policies and any other matters which require the H-REIT Manager Board or the HBT Trustee-Manager Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the H-REIT or HBT Trust Deeds. The Management of the H-REIT Manager and HBT Trustee-Manager are fully apprised of such matters which require the approval of the respective Boards and Committees.

CORPORATE GOVERNANCE

H-REIT Manager Board and HBT Trustee-Manager Board Orientation and Training

Every newly appointed Director of the Managers receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director also receives an induction pack containing information and documents relating to the role and responsibilities of a director, the principal businesses of H-REIT or HBT and their respective subsidiaries, the H-REIT Manager and the HBT Trustee-Manager Board processes and corporate governance practices, relevant policies and procedures, as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting.

The Managers also conduct a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Committees, which seeks to familiarise Directors with CDLHT's business, the Managers' board processes, internal controls and governance practices. The induction programme includes meetings with various key executives of the Management to allow the new Directors to be acquainted with the Management team and to facilitate their independent access to the Management team in future. The programme also includes briefings by the Management team on key areas of the Managers' operations and by each Chairman of the relevant Committees to which the Director is newly appointed to on the roles and responsibilities of the Committees.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be encouraged to also attend the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**") in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LED Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual of SGX-ST and the Code of Corporate Governance. The Company has noted that such training for first-time directors is now mandatory under the revised SGX Listing Rules. The Company Secretaries, where relevant, will co-ordinate with such Director to endeavour completion of the LED Programme within one year from his or her date of appointment subject to SID's training schedule and the Director's availability.

Mr Chan Soon Hee, Eric was appointed to the Managers' Boards on 22 June 2018 as a non-independent and non-executive Chairman. Mr Chan was previously an independent non-executive director of City Developments Limited (a controlling shareholder of the Managers and holds an indirect controlling stake in the stapled securities of CDLHT) until he stepped down on 22 June 2018. During his tenure on the board of City Developments Limited, he was also the lead independent director and chairman of their audit and risk committee. With his previous experience as a director of a listed entity, there is no requirement for Mr Chan to undergo the basic training modules under the LED Programme. Following Mr Chan's appointment to the Boards, he was given detailed briefings by the CEO and the Chief Financial Officer ("**CFO**") in respect of CDLHT's business and operations, as well as its financial matters. The Company Secretaries also briefed Mr Chan on the internal corporate governance practices and the directors' duties and responsibilities pursuant to relevant legislations.

Ms Cheah Sui Ling, appointed as a member of the NRC with effect from 12 February 2018, was separately briefed by the NRC Chairman on the role and responsibilities of the NRC as set out in its terms of reference.

The Directors are provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretaries in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management issues, financial reporting standards and tax laws and practices. The Directors are also regularly kept informed by the Company Secretaries of the availability of appropriate courses, conferences and seminars such as those conducted by The Accounting and Corporate Regulatory Authority ("**ACRA**"), SGX and SID and the Directors are encouraged to attend such training at the Managers' expense. NRCs and the Boards of the Managers are kept informed of the trainings attended by the Directors during the year, as part of the NRCs annual assessment of the skills set of the Boards and the Committees. The NRCs would also recommend further training for the Directors in specific areas, if so required, to supplement the regular updates/briefings provided to Directors from time to time.

The Directors had attended in-house seminars conducted by external speakers and other SID courses in 2018 and they were also briefed during the Boards and Committees meetings on the recent regulatory changes such as the 2018 Code and related listing rules revisions. In addition to the training courses/programmes and briefing updates, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Managers' operations.

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CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance**Board Independence**

The Boards of the H-REIT Manager and the HBT Trustee-Manager currently comprise six members each. Five members of the Board are considered Non-Executive Directors of which four of them are considered independent directors ("**4 IDs**") by the Board, thus providing for a strong and independent element on the Boards capable of exercising objective judgement on corporate affairs of the H-REIT Group and the HBT Group. No individual or small group of individuals dominates the Boards' decision-making. The 4 IDs are Dr Bill Foo, Mr Ronald Seah, Mr Kenny Kim and Ms Cheah Sui Ling.

The NRC determines on an annual basis whether or not a Director is independent, bearing in mind the 2012 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a Director not to be independent, as well as the enhancements to independence requirements announced by MAS on 2 July 2015 (the "**Enhanced Independence Requirements**").

Under the 2012 Code, a Director who has no relationship with the Managers, its related companies, its 10% shareholders/unitholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of CDLHT, is considered to be independent. In addition, under the Enhanced Independence Requirements, an independent Director is one who:

- (i) is independent from any management and business relationship with the Managers and CDLHT;
- (ii) is independent from any substantial shareholder of the Managers and any substantial unitholder of CDLHT; and
- (iii) has not served on the Board for a continuous period of 9 years or longer

When reviewing the independence of the 4 IDs, the Managers' NRCs had considered the guidelines for independence set out in Guideline 2.3 of the 2012 Code and the Business Trusts Regulations 2005. For purposes of determination of independence, the 4 IDs have also provided confirmation that they are not related to the Managers or stapled security holders of CDLHT or its related companies and its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with their judgement in the best interests of H-REIT Manager and HBT Trustee-Manager or stapled security holders of CDLHT. The NRCs are satisfied that there is no other relationship which could affect their independence.

The Chairman of the Board, Chan Soon Hee, Eric is a non-executive and non-independent Director. The Managers have complied with the 2018 Code requirement that where the Chairman of the Board is not independent, IDs should make up a majority of the Board. (*Note: aligned with Provision 2.2 of the 2018 Code*)

H-REIT Manager / HBT Trustee-Manager Board Composition and Size

The NRCs review the size and composition of the H-REIT Manager Board and the HBT Trustee-Manager Board and the Board Committees annually. At the recommendation of the NRCs, the Boards adopted a formal Board Diversity Policy setting out its policy and framework for promoting diversity on the Boards. The Boards recognise that a diverse Board of Directors is an important element which will better support the CDLHT Group's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Boards through the perspectives derived from the various skills, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors. The final decision on selection of Directors will be based on merit against an objective criteria that complements and expands the skills and experience of the Boards as a whole, and after having given due regard to the overall balance and effectiveness of the diverse Boards.

The NRCs had considered the core competencies of the Directors based on the skills and experience of each Director and are of the view that the Boards have the critical skills and expertise needed in the strategic direction and planning of the business of H-REIT and HBT. The NRCs are satisfied that there is a good balance of expertise on the Boards, with experience in real estate and hotel related businesses, business and funds management, strategic planning, investment analysis, corporate finance, investment portfolio management, corporate reorganisations, mergers and acquisitions, audit, financial accounting, business consultancy and risk management. There is also gender diversity on the Boards, as the Boards have one female member, representing approximately 16.7% of the Boards. The NRCs are of the view that there is no immediate need to refresh the Boards and will look to refresh the Boards from time to time, when appropriate. Further information on the individual Directors' background, experience and skills can be found in the "Board of Directors" section in the Annual Report.

In consideration of the scope and nature of the operations of the H-REIT Group and HBT Group, the H-REIT Manager Board and the HBT Trustee-Manager Board are satisfied that the current composition mix and size of the Board provide for sufficient diversity and allow for effective decision-making at the Boards and Committees respectively.

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So long as the H-REIT Units remain stapled to HBT Units, in order to avoid any conflict between H-REIT and HBT and to act in the best interest of CDLHT, each of the Directors of the H-REIT Manager Board is also a Director of the HBT Trustee-Manager Board, and vice versa. Further, in line with MAS's Response to Feedback Received on its Consultation Paper on Enhancements to the Regulatory Regime Governing REITs and REIT Managers, under circumstances where unitholders of H-REIT are not given the right to appoint directors, at least half of the H-REIT Manager Board would have to be independent directors. Similarly, the HBT Trustee-Manager Board would also be required to comply with the provision under Regulation 12 of the Business Trust Regulations 2005 for at least a majority of the Directors of the board of the trustee-manager of a business trust to comprise Directors who are independent from management and business relationships with the trustee-manager. Majority of both the H-REIT Manager Board and the HBT Trustee-Manager Board comprise IDs.

Non-Executive Directors' ("NEDs") Participation

NEDs of the H-REIT Manager and the HBT Trustee-Manager are encouraged to participate actively at Board meetings in the development of H-REIT's and HBT's strategic direction and plans, in the review and monitoring of Management's performance through periodic reports from the Management and have unrestricted access to the Management. They also sit on various Committees established by the Boards of the H-REIT Manager and the HBT Trustee-Manager to provide constructive input and the necessary review and monitoring of performance of H-REIT, HBT and the Management. The H-REIT Manager and HBT Trustee-Manager held respective meetings of the independent Directors, chaired by the Lead ID in January 2018 (without the presence of Management, the CEO and Board Chairman).

Principle 3: Chairman and Chief Executive Officer of the H-REIT Manager Board and HBT Trustee-Manager Board

The roles of the Chairman and CEO are separate. The Chairman, Mr Chan Soon Hee, Eric, is a non-independent and non-executive Director while the CEO, Mr Vincent Yeo, is an executive Director. This ensures an appropriate balance of power, increased accountability and greater capacity of the H-REIT Manager Board and the HBT Trustee-Manager Board for independent decision-making. The Chairman is not related to the CEO. The Chairman and the CEO are also not related to any substantial shareholder of H-REIT Manager and HBT Trustee-Manager.

The Chairman bears primary responsibility for the workings of the H-REIT Manager Board and the HBT Trustee-Manager Board, by ensuring effectiveness on all aspects of its role including setting agenda for both the H-REIT Manager Board and the HBT Trustee-Manager Board meetings with input from Management, ensuring that sufficient allocation of time for thorough discussion of each agenda item at Board meetings, promoting an open environment within the Board room for constructive debate, encouraging the NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the H-REIT Manager/HBT Trustee-Manager Board and Management. At annual general meetings and other general meetings of the holders of stapled securities of CDLHT (the "**Stapled Securities Holders**"), he plays a pivotal role in fostering constructive dialogue between Stapled Securities Holders, the Boards of the H-REIT Manager and the HBT Trustee-Manager and Management.

The CEO of the H-REIT Manager and the HBT Trustee-Manager is responsible for working with the H-REIT Manager Board and the HBT Trustee-Manager Board to determine the overall business, investment and operational strategies for H-REIT and HBT. The CEO also works with the other members of the Managers' management team, master lessees and hotel managers to ensure that the business, investment and operational strategies of H-REIT and HBT are carried out as planned.

In addition, the CEO is responsible for the overall management and planning of the strategic direction of the Stapled Group, including overseeing the acquisition of hospitality and hospitality-related assets and the asset and property management strategies for H-REIT and HBT.

Lead Independent Director

Dr Foo Say Mui (Bill), who was appointed as the Lead ID of the H-REIT Manager and HBT Trustee-Manager, serves as an intermediary between the IDs and the Chairman. The role of each of the H-REIT Manager Board's Lead ID and the HBT Trustee-Manager Board's Lead ID is set out under the written terms of reference of the Lead ID which have been approved by the Board of the H-REIT Manager and the Board of the HBT Trustee-Manager.

The Lead ID is available to the Stapled Security Holders of CDLHT should they have concerns and for which contact through the normal channels of the Chairman or the Management has failed to resolve or is inappropriate. No query or request on any matter which requires the Lead ID's attention was received from Stapled Security Holders in 2018. Under the chairmanship of the Lead ID, Dr Foo Say Mui (Bill), a meeting of the Independent Directors of the H-REIT Manager and HBT Trustee-Manager were convened in January 2018 (without the presence of Management or the Chairman) and feedback was provided to the Chairman at the Board meetings held thereafter.

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Principle 4: Board Membership**Criteria and Process for Nomination and Selection of New Directors of the H-REIT Manager and HBT Trustee-Manager**

The NRCs of the Managers have formalised guidelines for Board and Board Committee appointments which include taking into consideration (a) the current Board and Board Committee size, composition mix and core competencies, (b) the candidate's/Director's independence, in the case of an independent NED; (c) the composition requirements for the Board and Committees (if the candidate/Director is proposed to be appointed to any of the Committees); (d) the candidate's/Director's age, gender, track record, experience and capabilities and such other relevant factors as may be determined by the H-REIT Manager Board and HBT Trustee-Manager Board which would provide an appropriate balance and contribute to the collective skills of the respective Boards; and (e) any competing time commitments if the candidate/Director has multiple board representations and/or other principal commitments.

The NRCs interview shortlisted candidates before formally considering and recommending them for appointment to the Boards and where applicable, to the Committees. Searches for potential candidates are conducted through contacts and recommendations. Shortlisted candidates would be required to furnish their curriculum vitae containing information on their academic/professional qualification, work experience, employment history and experience (if any) as directors of listed companies.

In 2018, Mr Chan Soon Hee, Eric was appointed as the Chairman of the Managers. The NRCs had considered the extensive experience of Mr Chan which would complement and strengthen the core competencies of the Boards.

Nominating and Remuneration Committee Composition and Role

The NRCs currently comprise three IDs. The Lead ID is one of the members of the NRC. Please refer to the 'Corporate Directory' section of this Annual Report for the composition of the NRCs.

The NRCs' responsibilities as set out in its written terms of reference approved by the Board, are to review all Board and Committees composition and membership, board succession plans for Directors including Chairman and the CEO, review appointments and resignations of Directors and relevant senior management staff, including the CEO and the CFO, review Directors' training and continuous professional development programmes as well as review the remuneration framework and policies of the Managers.

H-REIT Manager and HBT Trustee-Manager Directors' Time Commitments

It is recommended under the 2012 Code that the Boards of the H-REIT Manager and HBT Trustee-Manager consider providing guidance on the maximum number of listed company board representations which each Director of the H-REIT Manager and HBT Trustee-Manager may hold in order to address competing time commitments faced by directors serving on multiple boards.

Based on an annual analysis of directorships held by the Directors as well as each Director's confirmation as to whether he/she has any issue with competing time commitments which may impact his/her ability to provide sufficient time and attention to his/her duties as a Director on the respective Boards, the NRCs were satisfied that all Directors are able to carry out and have been adequately carrying out their duties as a Director of the Managers. The NRCs of the H-REIT Manager and HBT Trustee-Manager further noted that, excluding the directorship held in the H-REIT Manager Board and HBT Trustee-Manager Board, the number of listed company board representations currently held by the Directors did not exceed four.

Having considered the issue, the Boards do not recommend setting a maximum number of listed company board representations that a Director may hold. They are of the view that the assessment of each individual Director should not be restricted to the number of their respective board representations but should include contributions by the Directors at Board and Committee Meetings. The NRCs do not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Boards.

Key Information on Directors

Please refer to the "Board of Directors" section in the Annual Report for key information on the H-REIT Manager Directors and the HBT Trustee-Manager Directors and "Directors' Statement", including *inter alia* the academic and professional qualifications, and directorships held currently and in the preceding three years, and other relevant information as well as the stapled securities held by Directors in CDLHT. Currently, no alternate Directors have been appointed in respect of any of the H-REIT Manager Directors and the HBT Trustee-Manager Directors.

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Board Development

The NRCs review the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the expense of the H-REIT Manager or HBT Trustee-Manager (as the case may be). A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2018 are set out in the paragraph under the header "H-REIT Manager and HBT Trustee-Manager Board Orientation and Training". The members of the Board are kept apprised twice yearly on the list of training programmes attended by the Directors during the year.

Principle 5: Board Performance

Board Evaluation Process

The H-REIT Manager Board and HBT Trustee-Manager Board have in place formal processes to assess the effectiveness of each Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The performance of each Board was assessed on an annual basis through feedback from individual Directors on areas relating to the Board's competencies and effectiveness. Based on feedback from each individual Director, a consolidated report is prepared and reviewed/evaluated by the NRCs, its comments and recommendations for improvements, if any, are presented to the Boards.

Each of the H-REIT Manager Board and HBT Trustee-Manager Board is of the view that in the financial year, it had operated effectively and each of its members had contributed to its overall effectiveness and is committed to maintain such effectiveness.

The Chairman of the Boards would be fully apprised of the results of the performance evaluation.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

Prior to each meeting, members of the H-REIT Manager Board and HBT Trustee-Manager Board and their Committees are provided with the meeting agenda and the relevant papers submitted by the Management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. The Management, the auditors and professional advisers, who can provide additional insight into the matters for discussion, are also invited from time to time to attend such meetings. The Directors of the Managers have separate and independent access to Management.

Draft agendas for the Board and Committee meetings are circulated to the Chairman of each Board and the chairmen of the various Committees, in advance, for them to review and suggest items for the agenda. The members of the Board and various Committees also receive reports on financial, whistle-blowing and related party transactions, where applicable, from the Management. Each of the chairmen of the ARC and NRC from the H-REIT Manager and the HBT Trustee-Manager provides an annual report of the respective Committees' activities during the year under review to the Boards. The minutes of meetings of the Committees are circulated to all Board members.

Company Secretaries

The Company Secretaries, whose appointment and removal are subject to the approval of the H-REIT Manager Board and the HBT Trustee-Manager Board, attend the Board and Committee meetings and ensures that all Board procedures are followed. The Company Secretaries, together with Management of the H-REIT Manager and the HBT Trustee-Manager, also ensure that the H-REIT Manager, H-REIT, the HBT Trustee-Manager and HBT comply with all applicable statutory and regulatory rules. Together with the Management, the Company Secretaries also assist the Board Chairman, the Board and Committees of the H-REIT Manager and the HBT Trustee-Manager on corporate governance matters and assist to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors of the Managers and appointments to the various Committees, and continuing training and development for the Directors.

On an on-going basis, the Directors of the H-REIT Manager and the HBT Trustee-Manager have separate and independent access to the Company Secretaries, whose duties and responsibilities are clearly defined.

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Independent Professional Advice

The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the H-REIT Manager and HBT Trustee-Manager, in furtherance of their duties and in the event that circumstances warrant the same. The Managers have also put in place internal guidelines allowing for the Directors to seek independent professional advice.

REMUNERATION MATTERSPrinciple 7: Procedures for developing Remuneration Policies

All Directors and employees of the Managers are remunerated by the H-REIT Manager and HBT Trustee-Manager, as appropriate and in accordance with the remuneration policies set out in the following paragraphs.

The H-REIT Manager and HBT Trustee-Manager Boards have adopted a Remuneration Framework (which covers all aspects of remuneration) for Directors and key management personnel ("**KMP**") which serves as an overview of the Remuneration Policy.

Principle 8: Level and Mix of Remuneration

All Directors of the H-REIT Manager, including Executive Directors, will receive a fixed base director's fee and the Lead ID will receive an additional fee to reflect his expanded responsibility. The Board Chairman, chairman and members of the ARC and chairman and members of the NRC also receive additional fees. Such fees are subject to the shareholder's approval at the annual general meeting of the H-REIT Manager. The Directors of the HBT Trustee-Manager presently do not receive any Directors' fee.

The Managers' remuneration policy for Directors comprises the following distinct objectives:

- (a) to ensure that the procedure for determining remuneration for Directors is formal and transparent;
- (b) to ensure that the level of remuneration is sufficient to attract and retain Directors to exercise oversight responsibility over the Company; and
- (c) to ensure that no Director is involved in deciding on his own remuneration.

The Managers' remuneration policy for employees comprises the following distinct objectives:

- (a) to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Managers' needs;
- (b) to ensure that remuneration is commensurate with employees' duties, responsibilities and length of service;
- (c) to build sustainable value-creation to align with longer term shareholder interest;
- (d) to reward employees for achieving corporate and individual performance targets in an equitable way; and
- (e) to enhance retention of key talents to build strong organisational capabilities.

Under the Managers' remuneration policy, the remuneration packages for employees, including the CEO who is an Executive Director, comprises a fixed base component (in the form of a base salary) and a variable component (which includes variable, year-end annual and special bonuses). The variable component is determined by the individual's performance, competitive market practices and information gathered from market surveys conducted by independent human resource consultants as well as the Managers' overall performance in each specific year. Employees are also provided with the standard benefits including insurance and medical benefits. In 2018, an external human resource consultant was engaged to provide benchmarking for all levels of employees of the Managers.

Currently, remuneration of the Directors, executive officers and employees are paid in cash only and no compensation is payable to any Director, executive officer or employee of the Managers in the form of options in Stapled Securities or pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement, under the service contracts.

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The Managers currently do not have a share scheme or other forms of long term incentive schemes in place.

The remuneration structure is also directly linked to CDLHT and individual performance of the CEO and KMP, both in terms of financial and non-financial performances. This is achieved by incorporating appropriate key performance indicators ("KPIs") and competency reviews for awarding of annual cash incentives.

Some of these KPIs include key financial indicators, risk management, compliance and controls measures, employee engagement and talent development.

The KPIs are set and chosen because they support how the Managers achieve its strategic objectives. The framework provides a link for staff in understanding how they contribute to the Managers' overall strategic goals. The Board, at the recommendation of the NRC reviews and approves the evaluation of the CEO and KMP annually.

Principle 9: Disclosure on Remuneration

The Directors' fees take into account the Directors' level of contribution and their respective responsibilities and include Board Committee fees in addition to their base fee. For FY2018, the aggregate amount of Directors' fees receivable by each of the Directors of the H-REIT Manager Board was less than S\$250,000. These fees will be subject to approval by the shareholder of the H-REIT Manager. No Director is involved in deciding his own remuneration. The Directors of the HBT Trustee-Manager Board did not receive any Directors' fees for FY2018.

The NRCs had recommended and the Boards of the Managers had assessed and decided to disclose the fee structure for the different roles assumed by the Board and the Board Committees of the Managers as set out in the table below. The NRCs and the Boards of the Managers believe that:

- there is no misalignment between the remuneration of the Directors and the interest of Stapled Security Holders, given that their remuneration is not linked to the gross revenue of H-REIT or HBT and are paid out of the own assets of the Managers; and
- there is full and frank disclosure of the total amount of fees paid to H-REIT Manager and HBT Trustee-Manager in Note 17 of the Notes to the Financial Statements on page 196 of the Annual Report.

The structure of the fees payable to Directors of the H-REIT Manager for FY2018 is as follows:

Appointment	Per Annum
Board of Directors	
- Chairman's Fee	\$80,000*
- Base Fee	\$50,000
Audit and Risk Committee	
- ARC Chairman's Fee	\$70,000
- ARC Member's Fee	\$40,000
Nominating and Remuneration Committee	
- NRC Chairman's Fee	\$10,000
- NRC Member's Fee	\$5,000
Lead Independent Director's Fee	\$10,000

* Inclusive of Base Fee

The NRCs had recommended and the Boards of the Managers had assessed and decided against the disclosure of the remuneration of the top five executive officers (including the CEO) on a named basis, whether in exact quantum or bands of S\$250,000 and the total remuneration paid in aggregate to the top five KMPs (who are not directors or the CEO), and believe that the interests of the Stapled Security Holders will not be prejudiced as a result of such non-disclosure, for the following reasons:

- due to the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the area of real estate investment trusts and business trusts, such disclosure of remuneration information may give rise to recruitment and talent retention issues;
- the negative impact to H-REIT and HBT if members of the experienced and qualified management team are poached individually and/or collectively, thereby affecting both the ability to nurture a sustainable talent pool and ensure the smooth continuity of leadership to achieve business and operations objectives of H-REIT and HBT;

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- there is no misalignment between the remuneration of the executive officers and the interest of Stapled Security Holders, given that their remuneration is not linked to the gross revenue of H-REIT or HBT and are paid out of the own assets of the Managers; and
- there is full and frank disclosure regarding the total amount of fees paid to H-REIT Manager and HBT Trustee-Manager in Note 17 of the Notes to the Financial Statements on page 196 of the Annual Report.

For each of H-REIT Manager and HBT Trustee-Manager, there is no employee who is substantial shareholder; or an immediate family member of a director or the CEO or a substantial shareholder.

Pursuant to their terms of reference, the NRCs shall regularly review and recommend to the Boards, their assessment of the performance of KMPs. The NRC shall also take a holistic approach to the Managers' remuneration policy by considering the contribution and performance of KMPs in light of the performance of CDLHT and prevailing economic and industry conditions.

Principle 10: Accountability

Accountability of the Board and Management of the H-REIT Manager and the HBT Trustee-Manager

The H-REIT Manager Board and the HBT Trustee-Manager Board provide the Stapled Securities Holders with quarterly and full year financial results of the H-REIT Group, the HBT Group and the Stapled Group. Unaudited results of the H-REIT Group, the HBT Group and the Stapled Group for the first, second and third quarters are released to Stapled Securities Holders within 45 days of the end of each quarter whilst unaudited full year results of the H-REIT Group, HBT Group and the Stapled Group are released within 60 days from the financial year end. In presenting the full year and quarterly results of the H-REIT Group, the HBT Group and the Stapled Group, the H-REIT Manager Board and HBT Trustee-Manager Board aim to provide the Stapled Securities Holders with a balanced and understandable assessment of the performance and financial position of the H-REIT Group, the HBT Group and the Stapled Group, with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which CDLHT operates.

The Boards of the Managers have received assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the H-REIT Group, the HBT Group and the Stapled Group and the Boards in turn provided a negative assurance confirmation to the Stapled Securities Holders in respect of the unaudited financial statements for the first, second and third quarter in accordance with the regulatory requirements.

The Management provides monthly reports covering H-REIT Group and HBT Group's financial performance to all Directors.

Apart from the periodic updates provided by the Management, any member of the H-REIT Manager Board or HBT Trustee-Manager Board may at any time seek further information from and discuss the respective operations and performance with the Management.

Principle 11: Risk Management and Internal Controls

Risk Management

The H-REIT Manager Board and the HBT Trustee-Manager Board recognise that they have overall responsibility to ensure proper financial reporting for the H-REIT Group, the HBT Group and the Stapled Group and effectiveness of H-REIT's and HBT's system of internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems. The H-REIT Manager and HBT Trustee-Manager ARCs assist the H-REIT Manager Board and HBT Trustee-Manager Board in providing oversight of risk management and maintaining an effective control environment that reflects both the established risk appetite and the business objectives.

An organisational risk management framework has been established by the Managers to formalise and document the internal processes, many of which are already currently in place, to enable significant business risks affecting H-REIT and HBT to be identified, assessed, monitored, managed and evaluated.

The Managers recognise that the risk management process is an ongoing process and will thus, continuously ensure that the current risk management system and processes are in line with industry practices.

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During the financial year under review, the ARCs reported to their respective Boards on the nature and extent of the functions performed by them and made recommendations to the Boards on matters within their scope of duties. The ARC's other duties within their written terms of reference included:

- providing oversight of the risk management framework designed, established and implemented by the Management for the identification, assessment, management and monitoring of risks, and with the objective of embedding risk management into existing management processes;
- reviewing the overall risk appetite and tolerance as determined using the risk limits and/or parameters established by the Management and approved by the ARCs, which limits and/or parameters are to be reviewed from time to time;
- keeping under review the key strategic risks (and gaps) identified by the Management and discuss with Management the risk acceptance and/or risk mitigation strategies taken in respect of such risks;
- reviewing H-REIT's and HBT's risk profile periodically and assist the Board in the review of H-REIT's and HBT's risk strategy and key risk policies;
- ensuring that Management puts in place procedures for accurate and timely monitoring of large exposures and critical risks so that H-REIT and HBT is capable of responding to current and prospective changes within both H-REIT's and HBT's business and industry and the macroeconomic and financial environment;
- reviewing reports on material breaches of risk limits and the adequacy of the proposed actions taken to rectify such breaches; and
- reviewing, assessing and reporting to the Boards annually on the adequacy and effectiveness of the established risk management framework, especially to address H-REIT's and HBT's financial, operational, compliance and information technology risks (which review may be carried out internally or with the assistance of competent third parties).

Internal Controls

Having regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of mitigating such risks, H-REIT and HBT's internal controls structure have been designed and put in place by Management to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities. H-REIT and HBT's internal controls structure includes:

- an external audit programme;
- an internal audit programme;
- a risk management framework established for the identification, assessment, measurement and monitoring of its key risks;
- the establishment and review from time to time of policies and procedures which govern and allow for the monitoring of financial, operational, compliance and information technology controls; and
- a whistle blowing programme.

The Boards have received assurance from the Management on both the H-REIT Group and HBT Group's financial records and the effectiveness and adequacy of the risk management and internal controls structure. Each Board also receives a separate quarterly representation on the financial information and controls, that nothing has come to Management's attention which may render the financial statements to be false or misleading in any material respect.

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Based on the internal controls framework established, the independent annual review and quarterly regulatory and compliance reviews conducted by external consultants of H-REIT and HBT's governance and internal controls framework and the written assurance from the CEO and the CFO, the H-REIT Manager Board and HBT Trustee-Manager Board confirm, with the assistance of the ARCs, that they have reviewed the adequacy and effectiveness of H-REIT and HBT's risk management system and internal controls that address the financial, operational, compliance and information technology controls. The Boards, with the concurrence of the ARCs, is of the opinion that the risk management system and system of internal controls in place as at 31 December 2018 are adequate and effective to address in all material respects the financial, operational, compliance and information technology risks within the current scope of H-REIT and HBT's business operations and that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of H-REIT and HBT.

Principle 12: Audit and Risk Committee ("ARCs")

Composition of the ARCs

The ARCs of both the H-REIT Manager and the HBT Trustee-Manager comprise three NEDs, all of whom (including the chairman of the ARCs) are independent.

The ARCs' existing terms of reference provided that a former partner or director of the Managers' or H-REIT's or HBT's existing external auditors firm or corporation ("**EA**") shall not be appointed to act as a member of the ARC (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the EA; and (b) in any case for as long as he has any financial interest in the EA. The ARCs are cognisant of the 2018 Code wherein the provision that a former partner or director of the Managers' or H-REIT's or HBT's existing EA shall not be appointed to act as a member of the ARC within a period of 2 years commencing on the date of his ceasing to be a partner of the EA and the ARCs' terms of reference would be revised to align with the provision of the 2018 Code in due course.

The chairman of the ARCs and all members of the ARCs have audit, accounting or finance background and experience. The H-REIT Manager Board and the HBT Trustee-Manager are of the view that the ARCs have sufficient financial management expertise and experience amongst its members to discharge the functions of the ARCs within its written terms of reference approved and adopted by the respective Boards.

Powers and Duties of the ARCs

The ARCs are authorised by the H-REIT Manager Board and the HBT Trustee-Manager Board to review and investigate any matters it deems appropriate within its written terms of reference and has direct and unrestricted access to the external auditors and the internal auditors. The ARCs may invite any Director, Management, officer or employee of the H-REIT Manager and/or the HBT Trustee-Manager to attend its meetings. The ARCs are also authorised to engage any firm of accountants, lawyers or other professionals as they see fit to provide independent counsel and advice to assist in the review or investigation on such matters within their terms of reference as they deem appropriate at the expense of the H-REIT Manager and the HBT Trustee-Manager respectively.

The principal responsibility of the ARCs is to assist the H-REIT Manager Board and the HBT Trustee-Manager Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the adequacy and effectiveness of H-REIT's and HBT's financial reporting process (including reviewing the accounting policies and practices of the H-REIT Group, the HBT Group and the Stapled Group on a consolidated basis) and risk management and key internal controls, including financial, operational, compliance and information technology controls. Other duties within their written terms of reference include, *inter alia*:

- to review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of H-REIT Group, HBT Group and CDLHT to be reported to the Stapled Securities Holders;
- to review, assess and report to the Boards annually on the adequacy and effectiveness of the H-REIT's and HBT's internal controls and risk management systems;
- to review the assurance provided by the CEO and the CFO that the financial records have been properly maintained and that the financial statements give a true and fair view of the H-REIT Group's, the HBT Group's and the Stapled Group's operations and financial position.
- to review the adequacy, effectiveness, independence, scope and results of the internal audit function;
- to review the scope and results of the external audit, and the adequacy, effectiveness, independence and objectivity of the external auditors;

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- to approve, on behalf of the Boards, the remuneration and terms of engagement of the external auditors;
- to review and make recommendation to the Boards on the appointment, re-appointment or removal of the external auditors;
- to review all Interested Party Transactions and/or Related Party Transactions entered into from time to time and ensuring compliance with the relevant provisions of the Listing Manual of SGX-ST, the Property Funds Appendix and the relevant accounting standards;
- to ensure that the H-REIT Group, the HBT Group and CDLHT are in compliance with the applicable laws and regulations;
- to oversee the establishment and operation of the whistle-blowing processes; and
- to have oversight on CDLHT's compliance with disclosure requirements relating to sustainability matters.

Financial Matters

In the review of the financial statements for FY2018, the H-REIT Manager ARC and the HBT Trustee-Manager ARC have discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the H-REIT Manager ARC and the HBT Trustee-Manager ARC:

Significant Matters	How the ARCs reviewed these matters and what decisions were made
Valuation of investment properties	<p>The H-REIT Manager ARC and the HBT Trustee-Manager ARC considered the approach and methodology applied to the valuation model in assessing the valuation of the investment properties. The ARCs noted that:</p> <ul style="list-style-type: none"> • there was appropriate use of third party valuation expertise; • sufficient robust challenge was given to management by the external auditors; • material judgemental assumptions that were used in the valuations were within reasonable parameters; and • conclusions have been appropriately drawn. <p>The valuation of the investment properties was also an area of focus by the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2018. Refer to page 128 of this Annual Report.</p>
Valuation of property, plant and equipment	<p>The H-REIT Manager ARC and the HBT Trustee-Manager ARC considered the approach and methodology applied to the valuation model in assessing the valuation of the property, plant and equipment. The ARCs noted that:</p> <ul style="list-style-type: none"> • there was appropriate use of third party valuation expertise; • sufficient robust challenge was given to management by the external auditors; • material judgemental assumptions that were used in the valuations were within reasonable parameters; and • conclusions have been appropriately drawn. <p>The valuation of property, plant and equipment was an area of focus by the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2018. Refer to page 128 of this Annual Report.</p>

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During the financial year under review, the ARCs of the H-REIT Manager and HBT Trustee-Manager have established an internal controls system to ensure that all Related Party Transactions and/or Interested Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of H-REIT and the holders of H-REIT units or HBT and the holders of HBT units. The ARC has been kept abreast on changes to the accounting standards and issues which have direct impact on the the H-REIT Group, HBT Group and the Stapled Group's financial statements by the CFO and the external auditors during FY2018.

The H-REIT Manager ARC and the HBT Trustee-Manager ARC held four meetings each during the year respectively and carried out their duties as set out within the terms of reference. The Company Secretaries maintain records of all ARC meetings including records of discussions on key deliberations and decisions taken. The ARCs met with the external auditors separately without the presence of Management annually.

In performing its duties, the H-REIT Manager ARC and the HBT Trustee-Manager ARC also took guidance from the Audit Committee Guide and the Board Risk Committee Guide both issued by the SID. For the financial year under review, the ARCs conducted a self-assessment of its effectiveness in the discharge of its duties and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("**ARC Self-Assessment Checklist**"). The ARC Self-Assessment Checklist covered *inter alia*, the responsibilities of the ARCs under their terms of reference.

Based on the self-assessment, the H-REIT Manager ARC and the HBT Trustee-Manager ARC agreed that they had fulfilled their responsibilities and discharged their duties as set out in their terms of reference.

The H-REIT Manager ARC and HBT Trustee-Manager ARC recommended to the Board to approve the full year financial statements.

External Auditors

The ARCs had evaluated the performance of the external auditors for FY2018. The ARCs also reviewed the responses furnished by KPMG LLP, based on the sample questionnaire set out in the "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" issued by ACRA and Singapore Exchange Limited on 15 July 2010.

Taking cognisance that the external auditors should be free from any business or other relationships with the H-REIT Group, HBT Group and the Stapled Group that could materially interfere with their ability to act with integrity and objectivity, the ARCs had, in 2018, undertaken a review of the independence of KPMG LLP ("**KPMG**") and gave careful consideration to the H-REIT Group's, the HBT Group's and the Stapled Group's relationships with them during 2018. In determining the independence of KPMG, the ARCs reviewed all aspects of their relationships with them including the processes, policies and safeguards adopted by the H-REIT Group, the HBT Group and the Stapled Group and KPMG relating to audit independence. The ARCs also considered the nature of the provision of the non-audit services in 2018 and the corresponding fees and are of the opinion that such non-audit fees did not impair or threaten the audit independence. Based on the review, the ARCs are of the opinion that KPMG is, and is perceived to be, independent for the purpose of the H-REIT Group's, HBT Group's and the Stapled Group's statutory audit.

For details of the fees paid and/or payable by the H-REIT Group, HBT Group and the Stapled Group in respect of audit and non-audit services for FY 2018, please refer to Note 19 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2019, the ARCs had taken into consideration the Audit Quality Indicators Framework introduced by ACRA.

The ARCs also considered the following in their review:

- (i) the adequacy and experience of the supervisory and professional staff of KPMG assigned to the audit of the H-REIT Group, HBT Group and the Stapled Group;
- (ii) the audit engagement partner assigned to the audit;
- (iii) KPMG's past experience in auditing clients in the REIT sector; and
- (iv) the size and complexity of the audit exercise for the H-REIT Group, HBT Group and the Stapled Group.

KPMG have confirmed that they are registered with ACRA in accordance with Rule 712(2) of the Listing Manual of SGX-ST. The Stapled Group is thus in compliance with Rules 712 and 715 (read with Rule 716) of the Listing Manual of SGX-ST in relation to the appointment of its auditors.

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On the basis of the above, the ARCs have recommended to the Board the nomination of KPMG for re-appointment as external auditors of the H-REIT Group, HBT Group and the Stapled Group at the 2019 Annual General Meetings ("2019 AGMs").

Whistle Blowing Policy

The H-REIT Manager and the HBT Trustee-Manager have in place a whistle blowing policy setting out the procedure where staff of the H-REIT Manager and the HBT Trustee-Manager and other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters, without fear of reprisals in any form. The ARCs have the responsibility of overseeing this policy which is administered with the assistance of Management. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action to be taken.

The H-REIT Manager and the HBT Trustee-Manager are committed to maintaining procedures for the confidential and anonymous submission of reports and the anonymity of whistle-blowers concerned will be maintained where so requested by the whistle-blowers who lodged the report. Investigations into such reports will be handled on a confidential basis to the extent permissible or deemed appropriate under the circumstances, and involve persons who need to be involved in order to properly carry out the investigation and will, on a best efforts basis, be carried out in a timely manner.

In order to facilitate and encourage the reporting of such matters, the whistleblowing policy, including the dedicated whistle blowing email address at archairman@cdlht.com and postal correspondence channel are available on CDLHT's website and clearly communicates to employees the existence of a whistle-blowing policy. The whistle blowing policy and procedural arrangements are reviewed by the ARCs on an annual basis.

Principle 13: Internal Audit

Internal Audit ("IA") plays an important role in monitoring an effective system of internal controls. The IA function of the Singapore hotels' operations is performed by the internal audit team of Millennium & Copthorne International Limited, a related corporation and reports directly to the ARCs.

A summary of the internal auditors' reports is extended to the ARCs, the CEO and the CFO of the H-REIT Manager and HBT Trustee-Manager. The internal auditors have been directed to meet or exceed the standards set by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The ARCs review the IA plan. Processes are in place such that material control weaknesses raised in the IA reports are dealt with in a timely manner, with outstanding exceptions or recommendations being closely monitored and reported back to the ARCs on a quarterly basis.

The ARCs review the activities of the internal auditors on a quarterly basis and are satisfied that the IA function is independent of the activities which it audits; is adequately resourced; and has appropriate standing within the H-REIT Manager and HBT Trustee-Manager to perform its role and responsibilities effectively. As the IA function is outsourced, the ARC's evaluation of the IA function's effectiveness were guided by the ARC's self-assessment checklist as well as through the reports submitted by IA at ARC meetings.

The ARCs met with the internal auditors separately without the presence of Management in January 2019.

Principle 14: Rights of Stapled Securities Holders

Being committed to good corporate practices, the H-REIT Manager and the HBT Trustee-Manager treat all Stapled Securities Holders fairly and equitably. To facilitate the exercise of Stapled Securities Holders' rights, the H-REIT Manager and the HBT Trustee-Manager ensure that all material information relating to the Stapled Group and its financial performance is disclosed in an accurate and timely manner via SGXNET.

All Stapled Securities Holders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the H-REIT Trust Deed and HBT Trust Deed (as amended), Stapled Securities Holders who are not relevant intermediaries may appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and Stapled Securities Holders who are relevant intermediaries may appoint more than two proxies to attend, speak and vote at general meetings.

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The proxy forms must be deposited at such place or places specified in the notice convening the general meetings not less than forty-eight (48) hours before the time set for the general meetings.

Principle 15: Communication with Stapled Securities Holders

The H-REIT Manager and the HBT Trustee-Manager ensure that Stapled Securities Holders are notified of all material information in an accurate and timely manner. The H-REIT Manager and the HBT Trustee-Manager notify their investors and stakeholders in advance of the date of release of the financial results of the H-REIT Group, the HBT Group and the Stapled Group via SGXNET. The quarterly and full year financial results of the H-REIT Group, the HBT Group and the Stapled Group are announced within the mandatory period. The financial statements of the H-REIT Group, the HBT Group and the Stapled Group and other presentation materials presented at general meetings, including material and price-sensitive information, are disseminated and publicly released via SGXNET on a timely basis.

All Stapled Securities Holders receive the annual report of CDLHT and the Notice of AGM of Stapled Securities Holders, which notice is also advertised in the press and released via SGXNET. Stapled Securities Holders, stakeholders and investors can access information on CDLHT at its website at www.cdlht.com which provides, *inter alia*, corporate announcements, press releases and the latest financial results as disclosed by CDLHT on SGXNET.

From time to time, the Management of the H-REIT Manager and the HBT Trustee-Manager hold briefings with analysts and the media to coincide with the release of CDLHT's quarterly and full year financial results. Media presentation slides are also released on SGXNET and made available on the CDLHT's website. In addition, the Management takes an active role in investor relations, meeting local and foreign fund managers regularly as well as participating in roadshows and conferences both locally and overseas.

The Management of the H-REIT Manager and the HBT Trustee-Manager noted that the relationships with the key stakeholders may have an impact on the CDLHT's long term sustainability. Regular dialogue with key stakeholders such as employees, master lessees, hotel managers and investors are ongoing to manage their expectations. The Management of the H-REIT Manager and the HBT Trustee-Manager also maintains a current corporate website to communicate and engage with stakeholders.

H-REIT's current distribution policy is to distribute at least 90.0% of its taxable income and its tax exempt income (if any), with the actual level of distribution to be determined at the H-REIT Manager's discretion. H-REIT makes distributions to unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Distributions, when paid, will be in Singapore Dollars. As for HBT's distribution policy, the determination to distribute and the quantum of distributions will be made by the HBT Trustee-Manager Board at its sole discretion.

Principle 16: Conduct of General Meetings of Stapled Securities Holders

At general meetings, Stapled Securities Holders are given the opportunity to communicate their views and are encouraged to ask the H-REIT Manager Board and the HBT Trustee-Manager Board and the Management questions regarding matters affecting H-REIT and HBT. All the Directors including the chairmen of the ARCs, NRCs and the external auditors were present at the last AGMs, and would endeavour to be present at the 2019 AGMs to assist the H-REIT Manager Board and the HBT Trustee-Manager Board in addressing queries raised by the Stapled Securities Holders.

All Stapled Securities Holders are allowed to vote in person or by proxy. As the authentication of a Stapled Securities Holder's identity information and other related integrity issues still remain a concern, the H-REIT Manager and HBT Trustee-Manager have decided, for the time being, not to implement voting in absentia by mail or electronic means.

Separate resolutions on each substantial issue are put to vote at the general meetings. Detailed information on each item in the agenda of the general meetings is in the explanatory notes to the Notice of the general meetings.

The H-REIT Manager and HBT Trustee-Manager also maintain minutes of the general meetings, which includes the key comments and queries raised by Stapled Securities Holders and the responses from the H-REIT Manager Board, HBT Trustee-Manager Board, Management and/or the external auditors. The minutes of the general meetings would be made available to Stapled Securities Holders upon request.

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Pursuant to Rule 730A(2) of the Listing Manual of SGX, all resolutions proposed at the 2019 AGMs and at any adjournment thereof shall be put to vote by way of poll. In support of greater transparency and to allow for a more efficient voting system, the H-REIT Manager and the HBT Trustee-Manager have introduced electronic poll voting instead of voting by show of hands since the 2014 AGMs. With electronic poll voting, Stapled Securities Holders present in person or represented by proxy at the meeting are entitled to vote on a "one-stapled security, one-vote" basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed on-screen at the meeting. The detailed results setting out the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNet after the 2019 AGMs. The detailed procedures for electronic poll voting would be explained at the 2019 AGMs. An external firm will be appointed as scrutineers for the 2019 AGMs voting process, which is independent of the firm appointed to undertake the electronic poll voting process.

Corporate Values and Conduct of Business

The H-REIT Manager Board, HBT Trustee-Manager Board and Management are committed to conducting business with integrity and consistent with the highest standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Managers have adopted an internal code of business and ethical conduct which sets out the business principles and practices with respect to matters which may have ethical implications. The code provides a communicable and understandable framework for employees of the Managers to observe principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of business in their relationships with suppliers and amongst employees, including situations where there are potential conflicts of interests.

Confidential Information

The H-REIT Manager and HBT Trustee-Manager may in the course of business, collect, process, use or disclose personal data of individuals, including H-REIT and HBT unitholders, employees, lessees or tenants, and in some cases, guests or employees of hotels owned, third-party hotel owners, agents, partners, suppliers and other individuals. The CDLHT Data Protection Handbook is in place to ensure that the personal data processed is subject to certain legal safeguards and restrictions, in line with the requirements of the Personal Data Protection Act and SFA.

Internal Code on Dealings in Securities

The H-REIT Manager and the HBT Trustee-Manager have in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the stapled securities of CDLHT by the Directors and officers of both the Managers. These guidelines prohibit dealing in the stapled securities of CDLHT (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such stapled securities, and (c) during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first, second and third quarter of H-REIT's and HBT's financial year and one month before the date of announcement of the full-year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the H-REIT Manager are notified in advance of the commencement of each "closed period" relating to dealing in the stapled securities of CDL Hospitality Trusts.

STATEMENT OF POLICIES AND PRACTICES OF HBT

Apart from the corporate governance practices disclosed above, the HBT Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of HBT (as described in section 87(1) of the Business Trusts Act, Chapter 31A of Singapore) in respect of FY 2018, which is set out on pages 102 to 107 in this Annual Report.

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STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

CDL Hospitality Business Trust ("**HBT**") was activated on 31 December 2013 by M&C Business Trust Management Limited, as the trustee-manager of HBT (the "**HBT Trustee-Manager**"), to be the master lessee of Dhevanafushi Maldives Luxury Resort ⁽¹⁾, a property which was acquired by a wholly-owned subsidiary of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and which was leased to a wholly-owned subsidiary of HBT. Since then, HBT has proceeded to act as the master lessee of Hotel MyStays Asakusabashi and Hotel MyStays Kamata, Japan and on 1 October 2015, acquired Hilton Cambridge City Centre (formerly Cambridge City Hotel), United Kingdom, which is managed by Hilton Hotels and Resorts. On 4 May 2017, HBT added The Lowry Hotel to its portfolio and operates it as an owner-operator.

The Board of Directors of the HBT Trustee-Manager (the "**HBT Trustee-Manager Board**") is responsible for safeguarding the interests of the unitholders of HBT (the "**HBT Unitholders**") as a whole and managing the business of HBT. The HBT Trustee-Manager has general power of management over the business and assets of HBT and its main responsibility is to manage HBT's assets and liabilities for the benefit of the HBT Unitholders as a whole. In the event of a conflict between the interests of the HBT Unitholders as a whole and its own interests, the HBT Trustee-Manager will give priority to the interests of the HBT Unitholders as a whole over its own interests.

The HBT Trustee-Manager Board is also obliged to exercise due care to comply with the relevant provisions of all applicable legislations and regulations, the listing manual of Singapore Exchange Securities Trading Limited (the "**Listing Manual**"), the trust deed constituting HBT dated 12 June 2006 (as amended from time to time) (the "**HBT Trust Deed**"), the stapling deed dated 12 June 2006 (as amended from time to time) (the "**Stapling Deed**") and all relevant contracts entered into by HBT.

The HBT Trustee-Manager, in exercising its powers and carrying out its duties as trustee-manager of the HBT, is required to, and will:

- treat the HBT Unitholders who hold units of HBT ("**HBT Units**") in the same class fairly and equally and HBT Unitholders who hold HBT Units in different classes (if any) fairly;
- ensure that all payments out of the trust property of HBT (the "**HBT Trust Property**") are made in accordance with the Business Trusts Act (the "**BTA**"), the HBT Trust Deed and the Stapling Deed;
- report to Monetary Authority of Singapore ("**MAS**") any contravention of the BTA or Business Trusts Regulations ("**BTR**") by any other person that:
 - o relates to HBT; and
 - o has had, has or is likely to have, a material adverse effect on the interests of all the HBT Unitholders, or any class of HBT Unitholders, as a whole,
 as soon as practicable after the HBT Trustee-Manager becomes aware of the contravention;
- ensure that the HBT Trust Property is properly accounted for; and
- ensure that the HBT Trust Property is kept distinct from the property of the HBT Trustee-Manager held in its own capacity.

(1) The property was acquired as Jumeirah Dhevanafushi in 2013. From September 2017 to June 2018, the resort operated under the temporary identity of Dhevanafushi Maldives Luxury Resort as part of its operator transition programme. It was closed from June 2018 for renovation works and will reopen as Raffles Maldives Meradhoo in 2019.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

In addition, the HBT Trustee-Manager will:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as the trustee-manager of the HBT in accordance with the BTA, the HBT Trust Deed and the Stapling Deed;
- act in the best interests of all the HBT Unitholders as a whole and give priority to the interests of all HBT Unitholders as a whole over its own interests in the event of a conflict between the interests of all HBT Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as the HBT Trustee-Manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the HBT Unitholders;
- hold the HBT Trust Property on trust for all HBT Unitholders as a whole in accordance with the terms of the HBT Trust Deed;
- adhere with the business scope of HBT as set out in the HBT Trust Deed;
- review interested person transactions in relation to HBT;
- review expense and cost allocations payable to the HBT Trustee-Manager in its capacity as trustee-manager of HBT out of the HBT Trust Property and ensure that fees and expenses charged to HBT are appropriate and in accordance with the HBT Trust Deed; and
- comply with the BTA and the Listing Manual.

The MAS has also granted the HBT Trustee-Manager an exemption from compliance with Section 10(2)(a) of the BTA and the directors of the HBT Trustee-Manager (the **"HBT Trustee-Manager Directors"**) from compliance with Section 11(1)(a) of the BTA subject to the condition that for the duration of the time that the HBT Units are stapled to the units of H-REIT, the HBT Trustee-Manager and HBT Trustee-Manager Directors shall act in the best interests of all the holders of the stapled securities of CDL Hospitality Trusts.

The HBT Trustee-Manager Board, in exercising its power and carrying out its duties as trustee-manager of HBT, has put in place measures to ensure that:

- the HBT Trust Property is properly accounted for and is kept distinct from the property held by the HBT Trustee-Manager in its own capacity;
- the business scope of HBT as set out in the HBT Trust Deed has been adhered to;
- potential conflicts between the interests of the HBT Trustee-Manager and the interests of the HBT Unitholders as a whole are appropriately managed;
- interested person transactions are transparent, properly recorded and disclosed;
- expenses and cost allocations payable to the HBT Trustee-Manager out of the HBT Trust Property, and the fees and expenses charged to HBT are appropriate and are made in accordance with the HBT Trust Deed; and
- the BTA and the Listing Manual have been complied with.

The HBT Trustee-Manager has also adopted a set of corporate governance practices as set out on pages 84 to 101 of this Annual Report.

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STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

HBT Trust Property Properly Accounted For

To ensure that the HBT Trust Property is properly accounted for and is kept distinct from the property held by the HBT Trustee-Manager in its own capacity, the accounting records of HBT are kept separate and distinct from the accounting records of the HBT Trustee-Manager. Different bank accounts are maintained for the HBT Trustee-Manager in its capacity as trustee-manager of HBT and in its own capacity. Regular internal reviews are also carried out to ascertain that all HBT Trust Property has been fully accounted for.

Each of the financial statements of HBT and HBT Trustee-Manager are approved by the HBT Trustee-Manager Directors on a quarterly basis. Each of the financial statements of HBT and HBT Trustee-Manager are also kept separate and distinct and are duly audited by external auditors on an annual basis to ensure that the HBT Trust Property is properly accounted for and the HBT Trust Property is kept distinct from the property of the HBT Trustee-Manager held in its own capacity.

Adherence to Business Scope

The HBT Trustee-Manager Board reviews and approves all authorised businesses undertaken by HBT so as to ensure its adherence to the business scope under the HBT Trust Deed. Such authorised businesses include:

- (i) the investment in, development of, operation of and/or management of real estate and real estate related assets and all activities, concerns, functions and matters reasonably incidental thereto;
- (ii) acquisition, disposition, ownership, management, operation, finance leasing and leasing of real estate and real estate related assets and all activities, concerns, functions and matters reasonably incidental thereto; and
- (iii) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (i) and (ii),

whether directly, indirectly through subsidiaries or in the form of joint ventures together with other parties.

Management provides regular updates to the HBT Trustee-Manager Board and the Audit and Risk Committee about potential projects that it is looking into on behalf of HBT and the HBT Trustee-Manager Board, and the Audit and Risk Committee ensure that all such projects are within the permitted business scope under the HBT Trust Deed. Prior to the carrying out of any significant business transactions, the HBT Trustee-Manager Board, the Audit and Risk Committee and/or management will have careful regard to the provisions of the HBT Trust Deed and when in doubt, will seek advice from professional advisers.

Potential conflicts of interest

The HBT Trustee-Manager is not involved in any other businesses other than managing HBT. All potential conflicts of interest, as and when they arise, will be identified by the HBT Trustee-Manager Board and management, and will be reviewed accordingly.

As the HBT Trustee-Manager is an indirect wholly-owned subsidiary of Millennium & Copthorne Hotels plc (the “**Sponsor**”), being the sponsor and controlling unitholder of HBT, there may be potential conflicts of interest between HBT, the HBT Trustee-Manager and the Sponsor.

The HBT Trustee-Manager has instituted, among others, the following procedures to deal with issues of conflicts of interest:

- The HBT Trustee-Manager Board comprises four independent directors who do not have management or business relationships with the HBT Trustee-Manager and are independent from the substantial shareholders of the HBT Trustee-Manager. The independent directors form the majority of the HBT Trustee-Manager Board. This allows the HBT Trustee-Manager Board to examine independently and objectively, any potential issue of conflicts of interest arising between the HBT Trustee-Manager in its own capacity and the HBT Unitholders as a whole.
- Employees, if any, are directly employed by the HBT Trustee-Manager.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

- All resolutions in writing of the HBT Trustee-Manager Directors in relation to matters concerning HBT must be approved by all the HBT Trustee-Manager Directors.
- In respect of matters in which the Sponsor and/or its subsidiaries has an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the HBT Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum shall comprise a majority of the independent HBT Trustee-Manager Directors and shall exclude nominee directors of the Sponsor and/ or its subsidiaries.
- In respect of matters in which a HBT Trustee-Manager Director or his Associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director shall abstain from voting. In such matters, the quorum must comprise a majority of the HBT Trustee-Manager Directors and must exclude such interested director.
- Where matters concerning HBT relate to transactions to be entered into by the HBT Trustee-Manager for and on behalf of HBT with an interested person of the HBT Trustee-Manager or HBT (which would include relevant associates thereof), the Audit and Risk Committee is required to consider the terms of such transactions (except transactions under agreements which are deemed to have been specifically approved by HBT Unitholders upon purchase of HBT Units) to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of HBT and the Stapled Securityholders, and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transactions in question. If the HBT Trustee-Manager is to sign any contract with an interested person of the HBT Trustee-Manager or HBT, the HBT Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to interested person transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed to apply to business trusts.

Present and Ongoing Interested Person Transactions

(i) Exempted Agreements

The fees and charges payable by HBT to the HBT Trustee-Manager under the HBT Trust Deed are considered interested person transactions which are deemed to have been specifically approved by the HBT Unitholders upon their purchase of the HBT Units, to the extent that there are no subsequent changes to the rates and/or bases of the fees charged thereunder which will adversely affect HBT.

(ii) Future Interested Person Transactions

Depending on the materiality of the transaction, HBT may make a public announcement of or obtain prior approval of the HBT Unitholders for such a transaction. If necessary, the HBT Trustee-Manager Board may make a written statement in accordance with the resolution of the HBT Trustee-Manager Board and signed by at least two HBT Trustee-Manager Directors on behalf of the HBT Trustee-Manager Board certifying that, inter alia, such interested person transaction is not detrimental to the interests of the HBT Unitholders as a whole, based on the circumstances at the time of the transaction.

The HBT Trustee-Manager may, in future, seek an annual general mandate from the HBT Unitholders for recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations with interested persons, and all transactions would then be conducted under such a general mandate for that relevant financial year. In seeking such an annual general mandate, the HBT Trustee-Manager may appoint an independent financial adviser to render an opinion as to whether the methods or procedures for determining the transaction prices contemplated under the annual general mandate are sufficient, in an effort to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of HBT and the HBT Unitholders.

The HBT Trustee-Manager has in place an internal control system as well as policies and procedures to ensure that all future interested person transactions will be undertaken on an arm's length basis, on normal commercial terms, will not be prejudicial to the interests of HBT and the minority HBT Unitholders, and will be in accordance with all applicable requirements of the BTA, the Listing Manual and all applicable guidelines as may from time to time be prescribed to apply to business trusts relating to the transaction in question.

REPORTS

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

Management identifies interested person transactions in relation to HBT. The HBT Trustee-Manager maintains a register to record all interested person transactions which are entered into by HBT. The HBT Trustee-Manager incorporates into its plan a review of all interested person transactions entered into by HBT during the financial year. The Audit and Risk Committee reviews at least quarterly in each financial year the interested person transactions entered into during such quarterly period to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. The review includes the examination of the nature of the transactions and their supporting documents or such other data that the Audit and Risk Committee deems necessary. If a member of the Audit and Risk Committee has an interest in a transaction, he or she will abstain from participating in the review and approval process in relation to that transaction.

In addition, all such interested person transactions conducted and any contracts entered into by the HBT Trustee-Manager on behalf of HBT with an interested person of the HBT Trustee-Manager or HBT, shall comply with and be in accordance with all applicable requirements of the Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.

In particular, when HBT acquires assets from the Sponsor or parties related to the Sponsor in future, the HBT Trustee-Manager will obtain valuations from independent parties. In any event, interested person transactions entered into by HBT, depending on the materiality of such transactions, may be publicly announced or, as the case may be, approved by HBT Unitholders, and will, in addition, be:

- reviewed and recommended by the Audit and Risk Committee of the HBT Trustee-Manager, which comprises only independent directors; and
- decided by the HBT Trustee-Manager Board, of which more than half of the directors are independent directors.

Fees and expenses charged to HBT are appropriate and in accordance with the HBT Trust Deed

The HBT Trustee-Manager is entitled under the HBT Trust Deed to a management fee comprising a base fee of up to a maximum of 0.25% per annum of the value of the HBT Trust Property and a performance fee of up to a maximum of 5.0% per annum of HBT's net property income. For the purpose of calculating the management fee, if HBT holds only a partial interest in an investment from which such profit is derived, such profit shall be pro-rated in proportion to the partial interest held.

The management fee is payable to the HBT Trustee-Manager in the form of cash and/or Stapled Securities or (as the case may be) HBT Units as the HBT Trustee-Manager may elect, and in such proportion and for such period as may be determined by the HBT Trustee-Manager.

Under the HBT Trust Deed, if the value of the HBT Trust Property is at least S\$50.0 million, a maximum of 0.1% per annum of the value of the HBT Trust Property (if any), subject to a minimum fee of S\$10,000 per month, excluding out-of-pocket expenses and goods and services tax, is payable to the HBT Trustee-Manager as trustee fee. For the purpose of calculating the management fee, if HBT holds only a partial interest in any of HBT Trust Property, such HBT Trust Property shall be pro-rated in proportion to the partial interest held.

The trustee fee is payable to the HBT Trustee-Manager in arrears on a monthly basis in the form of cash.

The HBT Trustee-Manager is also entitled to receive an acquisition fee at the rate of up to a maximum of 0.75% of the acquisition price for acquisition from interested persons and at a rate of up to a maximum of 1.0% of the acquisition price for all other acquisitions directly or indirectly by HBT (pro-rated if applicable to the proportion of HBT's interest in the authorised investment acquired).

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

The acquisition fee is payable to the HBT Trustee-Manager in the form of cash and/or Stapled Securities or (as the case may be) HBT Units as the HBT Trustee-Manager may elect, and in such proportion and for such period as may be determined by the HBT Trustee-Manager.

The HBT Trustee-Manager is also entitled to a divestment fee at the rate of up to a maximum of 0.5% of the sale price of any divestment directly or indirectly by HBT (pro-rated if applicable to the proportion of HBT's interest).

Any increase in the rate or any change in structure of the HBT Trustee-Manager's management fee, trustee fee, the acquisition fee or the divestment fee, must be approved by an extraordinary resolution passed at a meeting of HBT Unitholders duly convened and held in accordance with the provisions of the HBT Trust Deed.

The table below sets out the fees earned by the HBT Trustee-Manager for the financial year ended 31 December 2018.

Fee	Amount (\$S'000)	% in Cash	% in Units
Management Fee	413	20%	80%
Trustee Fee	229	100%	0%

For the financial year ended 31 December 2018, the HBT Trustee-Manager will receive 100% of trustee fee in cash while the management fee is in the form of 20% cash and 80% Stapled Securities. No expenses were paid to the HBT Trustee-Manager during the financial year ended 31 December 2018 and any out-of-pocket expenses incurred were funded by HBT's working capital.

Fees payable to the HBT Trustee-Manager by HBT will be put up to the HBT Trustee-Manager Board for approval every quarter.

The HBT Trustee-Manager Board will meet every quarter to review the material expenses, cost allocations and fees charged to HBT and to ensure that the fees and expenses payable to the HBT Trustee-Manager out of the HBT Trust Property are appropriate and in accordance with the HBT Trust Deed.

Compliance with the Business Trusts Act and Listing Manual

The Company Secretaries and Compliance Officer monitor HBT's compliance with the BTA and the Listing Manual. The HBT Trustee-Manager has an internal compliance manual which serves to summarise all the applicable rules and regulations as well as key internal policies and processes which HBT needs to comply with. The manual will be consistently updated whenever there are changes to the rules and regulations and such policies and processes, and this will help management to ensure that applicable rules and regulations are being complied with.

The HBT Trustee-Manager will also engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual.

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SUSTAINABILITY REPORT

BOARD STATEMENT

The Board presents CDL Hospitality Trusts' ("CDLHT") second sustainability report (the "**Report**") for the financial year ended 31 December 2018 ("**FY 2018**"). The Report is in compliance with the Singapore Exchange Limited ("**SGX**") requirements.

The H-REIT Manager and HBT Trustee-Manager (collectively the "**Managers**") have been actively involved in developing our sustainability strategy for CDLHT. As asset owners, we focus our efforts on encouraging sustainable behaviour in regard to eco-efficiency, safety and staff development at our assets and supporting our various partners as best we can. For ourselves, we concentrate on staff development and regulatory compliance at the Managers. This report consists of our sustainability efforts throughout the year, including our targets which were formalised by the Managers, and reviewed by the H-REIT Manager Board and the HBT Trustee-Manager Board (jointly as "**Managers' Boards**"). The Managers' Boards are also responsible for the oversight of management and monitoring of CDLHT's material Environmental, Social and Governance ("**ESG**") factors.

As asset owners, we have varying levels of control over the daily operations at our assets. However, during 2018 the Managers have been increasing our engagement with the master-lessees and hotel managers at our assets. As a result, in our 2018 sustainability report, we have expanded our report scope to include our Singapore assets as well as some of our overseas portfolio as well. The new hotels that have been scoped in this year's report include the following properties in the United Kingdom and New Zealand:

- The Lowry Hotel, United Kingdom
- Grand Millennium Auckland, New Zealand

CDLHT has identified six material factors this year – *Economic Performance, Employment, Workplace Health and Safety, Corporate Governance, Energy* and a new material factor, *Water*.

During the year, CDLHT's portfolio has been presented with several awards, namely:

BCA Green Mark Award (2018)	Platinum: <ul style="list-style-type: none"> - Grand Copthorne Waterfront Hotel - Copthorne King's Hotel Gold Plus: <ul style="list-style-type: none"> - M Hotel - Novotel Singapore Clarke Quay Gold: <ul style="list-style-type: none"> - Orchard Hotel - Studio M Hotel
PUB Water Efficiency Building Award (2018)	Gold: <ul style="list-style-type: none"> - Grand Copthorne Waterfront Hotel - Novotel Singapore Clarke Quay Silver: <ul style="list-style-type: none"> - M Hotel
Acting Here Planet 21 (2018)	ISO 14001 <ul style="list-style-type: none"> - Novotel Singapore Clarke Quay Gold Level Planet 21 <ul style="list-style-type: none"> - Novotel Singapore Clarke Quay
ASEAN Green Hotel Award (2018)	<ul style="list-style-type: none"> - Novotel Singapore Clarke Quay

SUSTAINABILITY REPORT

ABOUT THIS REPORT

CDLHT's sustainability report covers ESG factors that are pertinent to the company, and includes sustainability strategies, performance and targets for FY 2018. This report has been prepared to ensure that the continued long-term growth of our business integrates with our sustainability efforts thus enhancing CDLHT's portfolio value for our stakeholders.

The scope of this report includes properties in Singapore, as well as several properties internationally. The expansion of the scope reflects the gradual progress which CDLHT intends to incorporate in its sustainability report over the years. Properties which have been included in this year's scope include the following:

Portfolio Hotel	Managed Property	Properties with Leases
SINGAPORE		
Orchard Hotel ("OHS")		✓
Grand Copthorne Waterfront Hotel ("GCW")		✓
M Hotel ("MHS")		✓
Copthorne King's Hotel ("CKS")		✓
Studio M Hotel ("STM")		✓
Novotel Singapore Clarke Quay ("NCQ")		✓
UNITED KINGDOM		
The Lowry Hotel ("Lowry")	✓	
NEW ZEALAND		
Grand Millennium Auckland ("GMA")		✓

This report has been prepared in compliance with SGX Listing Rules 711B, and developed with reference to the Global Reporting Initiative ("GRI") (2016) Standards. CDLHT's sustainability performance for the period 1 January 2018 to 31 December 2018 has been included in this report. The Report references the following topic-specific disclosures:

- Disclosure 102-8 from GRI 102: General Disclosure 2016
- Disclosure 302-1 and 302-3 from GRI 302: Energy 2016
- Disclosure 303-5 from GRI 303: Water and Effluents 2018
- Disclosure 401-1 from GRI 401: Employment 2016
- Disclosure 403-9 from GRI 403: Occupational Health and Safety 2018
- Disclosure 404-1 from GRI 404: Training and Education 2016
- Disclosure 405-1 from GRI 405: Diversity and Equal Opportunity 2016
- Disclosure 416-2 from GRI 416: Customer Health and Safety 2016
- Disclosure 419-1 from GRI 419: Socioeconomic Compliance 2016

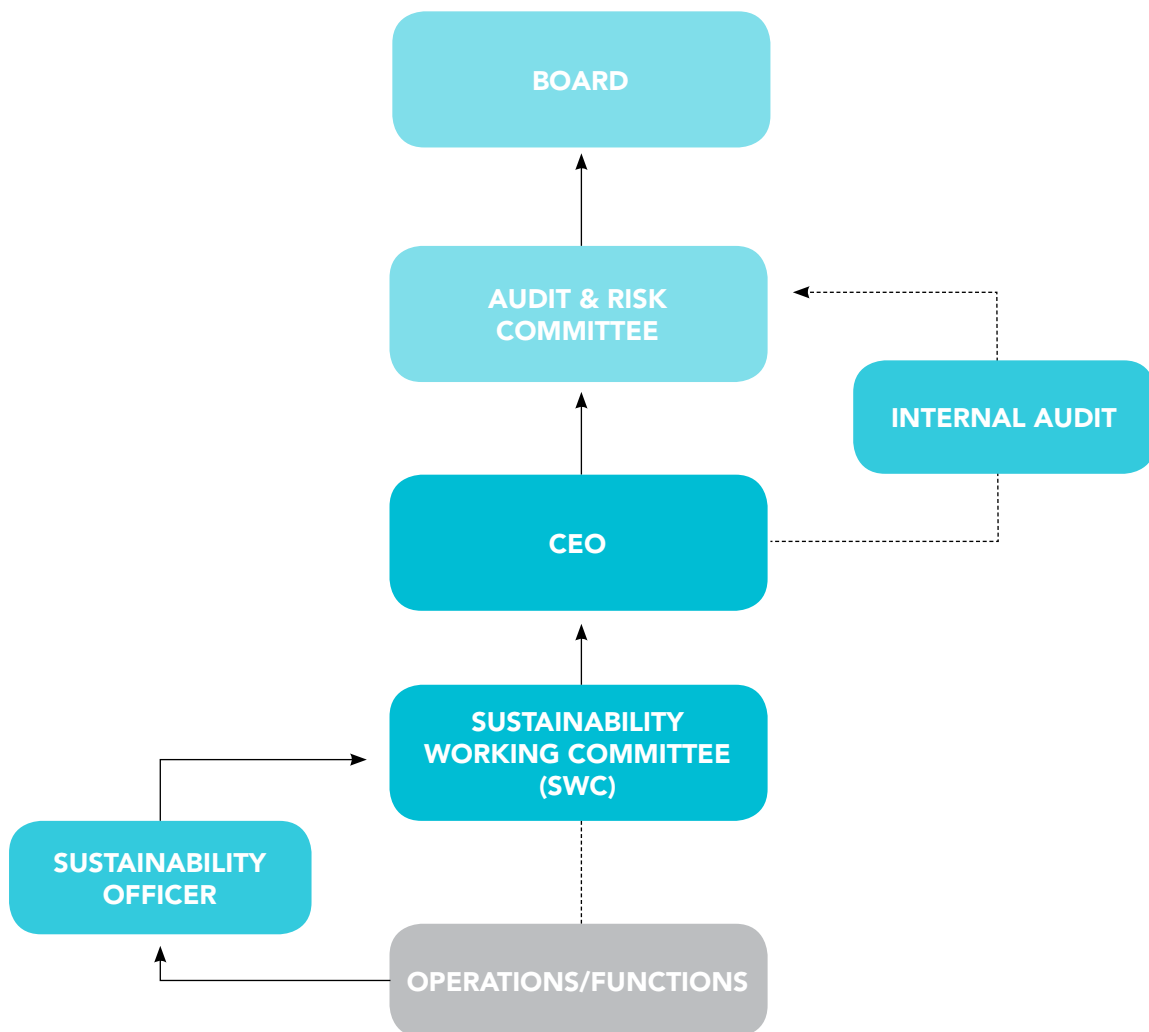
CDLHT strives to continuously refine our sustainability strategy and practices. We greatly welcome your feedback and comments which can be directed to Paul Kitamura (Head, Asset Management).

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SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

SR Governance Structure



Managers' Boards is responsible for overseeing the seamless integration of sustainability into CDLHT's goals and strategy. The Managers' Boards also play a role in managing and monitoring these material factors and their performance as CDLHT aims for a more sustainable growth in the future. The Audit and Risk Committee ("**ARC**") is the strategic advisor for the board when it comes to sustainability strategy and they convene at least once a year to review and challenge the Group's sustainability efforts and performance.

To aid in their work, CDLHT has a Sustainability Working Committee ("**SWC**") lead by the CEO of the Managers, Mr Vincent Yeo Wee Eng and comprising key personnel from various business functions. The SWC take the lead by developing strategies and objectives that also consider the Environmental, Social and Governance ("**ESG**") material factors in day-to-day operations. These strategies are put before the ARC for thorough and detailed scrutiny and approval. The SWC is also responsible for managing and monitoring the overall sustainability performance and meet on a regular basis, reporting quarterly to the Board on CDLHT's sustainability performance.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

CDLHT recognises the importance of communication with its stakeholders as they drive operations and contribute to our performance. Thus, CDLHT holds regular dialogues and other forms of engagements in order to identify key topics that its stakeholders are concerned with. This allows CDLHT to be well-positioned in responding to ESG issues. The following table depicts CDLHT's engagement approach with our stakeholders:

Stakeholders	How to Engage	Key Topics and Concerns	Frequency of Engagement
Board of Directors	<ul style="list-style-type: none"> Board Meetings Email Communication 	<ul style="list-style-type: none"> Economic Performance ESG Performance 	Quarterly
Government and Regulators	<ul style="list-style-type: none"> Briefings and consultations Participation in surveys and focus groups 	<ul style="list-style-type: none"> Social and environmental related legislations 	Periodically
Employees	<ul style="list-style-type: none"> Trainings and transition assistance programs Annual employment survey Performance and career development reviews Meetings and talks Bonding events Magazines and newsletters, intranet and social media 	<ul style="list-style-type: none"> Training and development Career development opportunities Workplace safety and wellbeing 	Continual Engagement
Hotel Guests	<ul style="list-style-type: none"> Customer satisfaction surveys Social media platform Through the General Manager 	<ul style="list-style-type: none"> Customer health and safety 	Continual Engagement
Master Lessees and Hotel Managers	<ul style="list-style-type: none"> Regular management meetings and communication Bilateral communication, one-on-one meetings and site visits 	<ul style="list-style-type: none"> Workplace safety and wellbeing Customer health and safety Eco-efficiency of buildings 	Continual Engagement
Investors	<ul style="list-style-type: none"> Annual and interim results briefings and analyst meetings Investor relations website Local and overseas investor conferences and road shows 	<ul style="list-style-type: none"> Economic Performance Regulatory Compliance Eco-efficiency of buildings 	Periodically
Suppliers and Business Partners	<ul style="list-style-type: none"> Assessment of suppliers and vendors Meetings with business partners 	<ul style="list-style-type: none"> Economic Performance Environmental Factors 	Periodically
Others (Media and Community)	<ul style="list-style-type: none"> Media releases, press conferences and interviews Trainings, donations and sponsorships, and staff volunteerism 	<ul style="list-style-type: none"> Socio-economic and Environmental Impacts 	Periodically

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SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

CDLHT conducted a materiality review based on the results of FY 2017's materiality assessment. During the review session, a multitude of factors were given due consideration from our stakeholders perspective. FY 2017's material factors were identified as material and relevant in the year of FY 2018. A new ESG factor, Water, was also identified this year. The following material factors are the most significant to CDLHT's business operations and our key stakeholders:

The aforementioned material factors will be reviewed on an annual basis in order to keep abreast with ESG factors that are most relevant to CDLHT and its stakeholders.

Economic	Environment	Social	Governance
<ul style="list-style-type: none"> Economic Performance 	<ul style="list-style-type: none"> Energy Water 	<ul style="list-style-type: none"> Employment Workplace Health and Safety 	<ul style="list-style-type: none"> Corporate Governance

ECONOMIC

In alignment with CDLHT's objectives of maximising the rate of return for holders of CDLHT's units and making regular contributions, CDLHT recognises the importance of its economic performance.

Economic Performance

CDLHT's shareholders and investors are key in our strategic investments as we aim to attain a more sustainable growth. We are delighted to share the shareholder value we have created in 2018's operations in terms of revenue and costs and our community investment and investments in our employees. Please see pages 121 – 234 for details.

ENVIRONMENTAL

With 2018 announced as the Year of Climate Action for Singapore, CDLHT is committed to minimising our environmental and carbon footprint.

Energy

Energy consumption results in one of the largest environmental impacts of our operations, hence we endeavour to play an active role towards championing energy conservation. We strive to achieve continuous energy consumption reductions through active monitoring and review of consumption patterns.

Management Approach

As asset owners, we have varying levels of control over the daily operations of assets in our portfolio. For this reason, we have begun to increase our engagement with our hotels and considering ESG needs in CAPEX assessments. This is the first step in the process of us taking a deeper role and helping our assets to standardise their approach to sustainability and encourage their sustainability efforts through engagement with them.

CDLHT has in place several policies that encompass all our portfolio hotels in Singapore and aims to address asset energy consumption. This includes our Environmental Policy, which requires hotels to embrace new eco-friendly strategies into the future and actively manage, monitor and record energy consumption. Our hotels also have additional policies related to energy consumption, such as the Energy Policy as well as the Environmental and Sustainability Policy at MHS.

SUSTAINABILITY REPORT

In order to ensure that our policies are implemented in Singapore, several processes have been set in place:

- Hotel Energy Management Committee to monitor and champion conservation of energy
- Bi-monthly engineering meetings are held to address developments/properties whose Green Mark certifications are on-going or close to expiry
- Electricity and gas consumption is statistically analysed daily and monthly
- Daily inspections are conducted to ensure that energy saving policies are strictly adhered to and our equipment is well-maintained
- Total energy usage is reported to the Building and Construction Authority ("**BCA**") annually via the Building Energy Submission Scheme
- Adopts the Energy Efficiency Index ("**EEI**") to benchmark our energy consumption

CDLHT has set in place various initiatives across our properties to reduce our energy consumption. Some examples at all or most of our hotels include:

- Using LED lights in guestrooms, hotel restaurants, function rooms, corridors, lobbies and public areas
- Installing energy efficient fan coil units ("**FCU**") in guestrooms
- Installing a computer-based control system that controls and monitors the building's Chiller plant efficiency
- Equipping lifts with variable voltage variable frequency ("**VVVF**") drive and sleep mode features.
- Installing an Energy Management System ("**EMS**") in NCQ and MHS
- STM uses an AC System with Daikin AirNet Online Energy Monitoring System

Some specific initiatives to showcase across our locations are:

SINGAPORE	UNITED KINGDOM	NEW ZEALAND
NCQ: <ul style="list-style-type: none"> • Green initiative where guests are invited to change their linen and towels every 2 or 3 days instead of daily • A sustainability meeting is conducted thrice yearly and is attended by the Green ambassador of each department. • Water, gas and electricity consumption of the hotels are reviewed thrice yearly and suggestions are highlighted for these departments to decrease their consumption. 	Lowry: <ul style="list-style-type: none"> • Established sustainability committee that analyses opportunities for reducing energy consumption in the hotel and the purchase of energy. • An external energy management company that provides energy reports and reviews bills and energy usage every month • Introduced LED lighting into all areas of the Hotel • Upgraded the Building Management System ("BMS") to improve the efficiencies that can be adopted in various departments in terms of saving energy 	GMA: <ul style="list-style-type: none"> • The replacement of all florescent lights with LED lighting floor by floor is in progress • Installed a BMS, that controls and monitors the building's mechanical and electrical equipment and drainage system • Organised tree-planting programs amongst our employees as a means of offsetting carbon emissions. • New Zealand is a country which sources a large percentage of its total energy from renewable resources, including hydroelectricity, geothermal, wind energy, bioenergy as well as solar energy. Therefore, our asset in New Zealand contributes less to harmful Green House Gas ("GHG") emissions.

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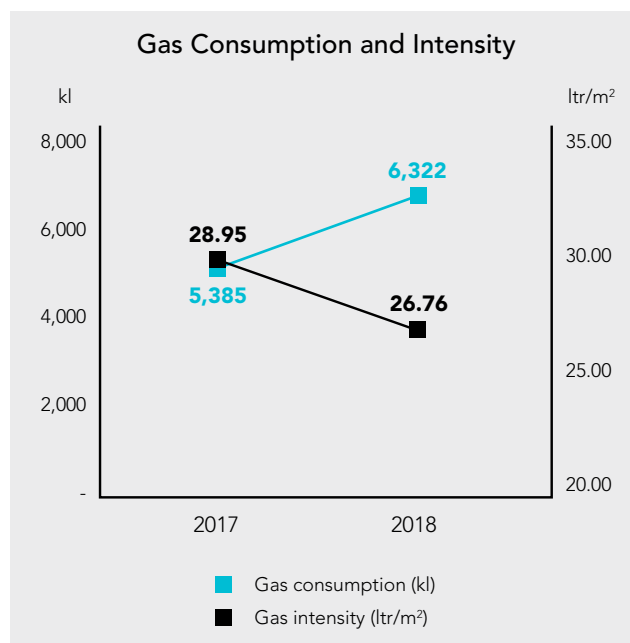
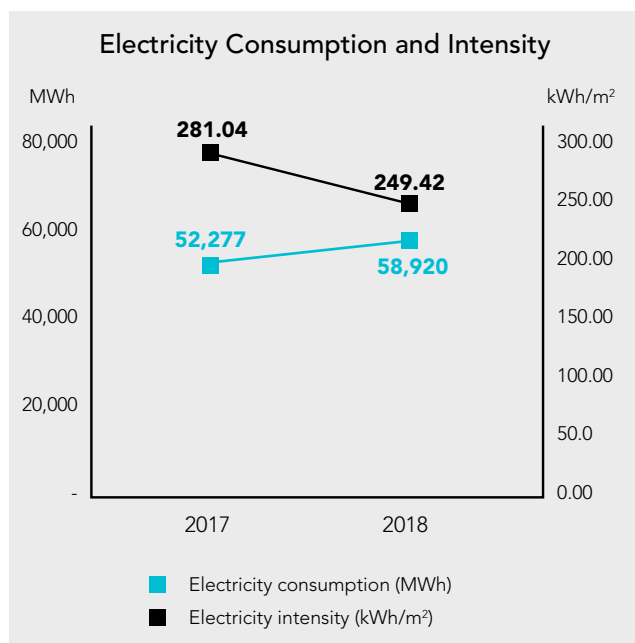
SUSTAINABILITY REPORT

Our Performance

Our 2018 total electricity consumption data, at 58,920 megawatt hours (MWh) is significantly higher than our 2017 total, which was 52,277 MWh because we have added two assets to our report scope. However, our electricity intensity has reduced from 281 kilowatt hours (kWh) per metre squared (m^2) of gross floor area (GFA) to 249 kWh/ m^2 . Likewise, gas consumption has increased by 937 kilolitres (kl) but gas intensity has dropped by 2.19 ltr/ m^2 in 2018.

The following charts depict CDLHT's electricity and gas consumption and intensity for 2017 and 2018.

Our target for FY2018 was to reduce the average monthly electricity consumption of our Singapore portfolio by 2%. Based on revised figures, our monthly consumption in FY2017 was 871,290 kWh and in FY2018 it was 847,982 kWh, a reduction of almost 3% per month. In the upcoming year, we aim to achieve at least a 2% reduction in electricity intensity compared to 2018 data. Each of our assets has pledged an electricity consumption reduction that they believe they can achieve. In addition, M Hotel aims to maintain its BCA Green Mark Gold Plus rating and STM aims to achieve BCA Green Mark Gold Plus rating by year 2020. Lowry has plans to obtain 100% of its energy from renewable sources in the near future and also aims to be recognised for a green award under the Manchester Business Awards.



SUSTAINABILITY REPORT

WATER

The use of water is essential and integral to the business operations of our hotels. Hence, CDLHT recognises that water plays a key factor in its sustainability strategy and have identified it to be a material factor. We understand that our business operations have an impact on the environment and that we need to review the impact that our operations have, both at a local and global scale in order to achieve sound environmental performance. This year, we identified the use and conservation of water as a continuous issue.

Management Approach

The list below details some policies and guidelines which we abide by to address this material factor for our Singapore hotels. We have in place several processes to ensure the successful implementation of the policies and have established various initiatives to reduce our water consumption locally.

POLICIES & GUIDELINES

- Environment Policy
- Singapore Codes of Practice
- PUB requirements
- BCA Green Mark Requirements for Existing Buildings (Non-Residential)
- Guidelines on green fittings of spaces including energy and water saving measures as well as the use of green materials

PROCESSES

- Reporting of Total Water Data to the Public Utilities Board's ("PUB") Water Efficiency Management Plan
- Monthly tracking of utilities data by the Engineering Department
- Close monitoring of usage of elevated consumption and potential leaks

INITIATIVES

- Water Efficiency Fittings including the implementation of a controlled valve system
- Contractors are required to use sanitary wares, fittings with 3 ticks and fulfil green mark requirements
- Water Monitoring and Management
- E.g. NCQ has water sub-meters installed to closely monitor water consumption of major usage points
- Employees and tenants to report any water leaks

For our overseas hotels, GMA has in place an interesting initiative to reduce water consumption. The hotel has adopted the use of drought tolerant plants which require minimal irrigation. Lowry actively looks into decreasing water pressure in public spaces and works with the utility management company to identify methods of efficiently conserving water. Several initiatives have been implemented, such as reviewing water sub-meters, introducing water pressure monitors and water saving initiatives for employees.

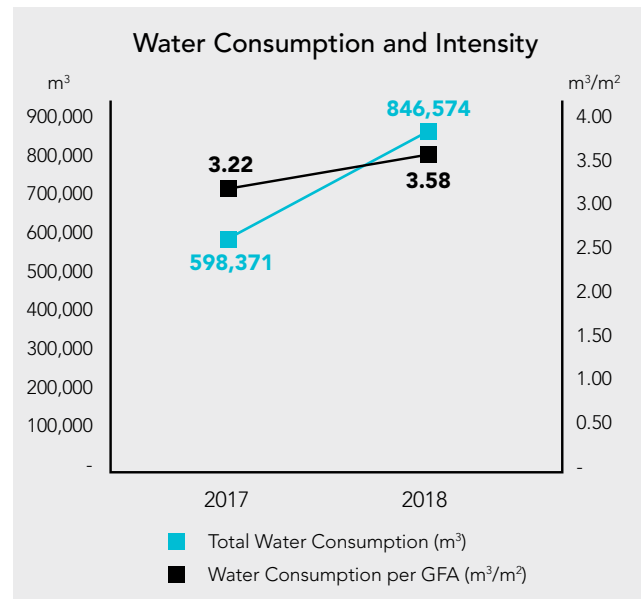
REPORTS

SUSTAINABILITY REPORT

Our Performance

The total water consumption across our portfolio has increased from 598,371 metres cube (m³) due to the addition of two more properties, and our water intensity has also increased slightly from 3.22m³ to 3.58m³ due to dryer weather conditions. The following chart depicts an increase in CDLHT's water consumption and water intensity in 2018.

In the upcoming year, we aim to maintain or reduce our water intensity compared to 2017 data. MHS also aims to maintain its PUB Water Efficient Building (Silver).

**SOCIAL**

The hospitality industry has one of the highest turnover rates in Singapore and a large portion made up of part-time, casual and seasonal staff. The commitment of these employees is essential to the growth of hotels.

Employment

Our employees are a major contributing factor in the growth and success of the Company. We are committed to attracting talent, as well as providing an inclusive and progressive work environment for our employees. Additionally, we also focus on human capital development through training and development opportunities for our employees.

Management Approach

We have several policies in place in relation to talent retention which apply to all our Singapore based personnel, and these include:

- Diversity Policy
- Policies on fair and merit-based employment and recruitment practices
- Policies on performance evaluation and career development, and others
- Tripartite Alliance for Fair & Progressive Employment Practices ("TAFEP")
- Singapore National Employer Federation

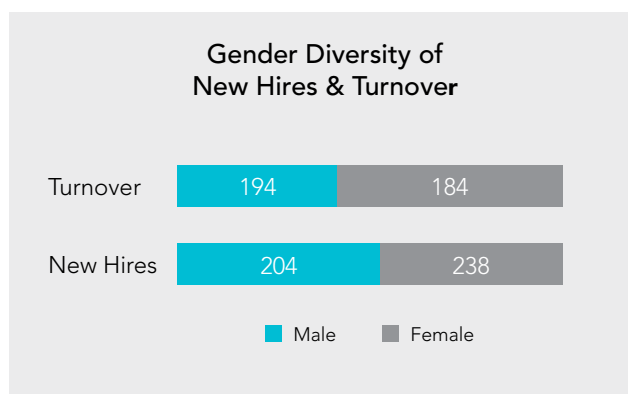
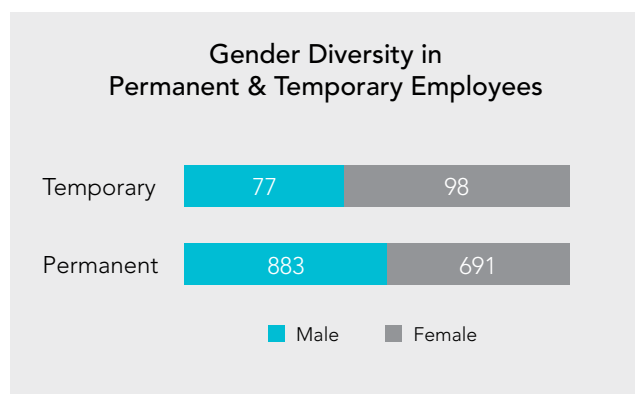
The monitoring of employees' feedback is also done via staff dialogue in order to better understand the key concerns of our employees. Our employees also take part in our employee engagement survey and are provided structured learning and development programmes. Additionally, we monitor the re-certification requirements for employees such as Food Handlers. Initiatives across CDLHT properties focus on our employees' wellbeing, and these entail employee health and active programs, tai-chi sessions, lunch –time wellness talks, health screening events, monthly energy boost, festive menu as well as health living day where we offer sandwiches and a healthy juice bar. At M Hotel, the General Manager or a member of the management team distributes snacks monthly to all team members, promoting interaction between team members and the management team.

Similarly, Lowry invests in workforce development that provides fair and equal opportunities as we aim to attract the best talent in order to maintain our status as the best hotel in Manchester. As well as policies similar to those at the Singapore assets, employee feedback is monitored and an employee engagement survey is performed annually.

SUSTAINABILITY REPORT

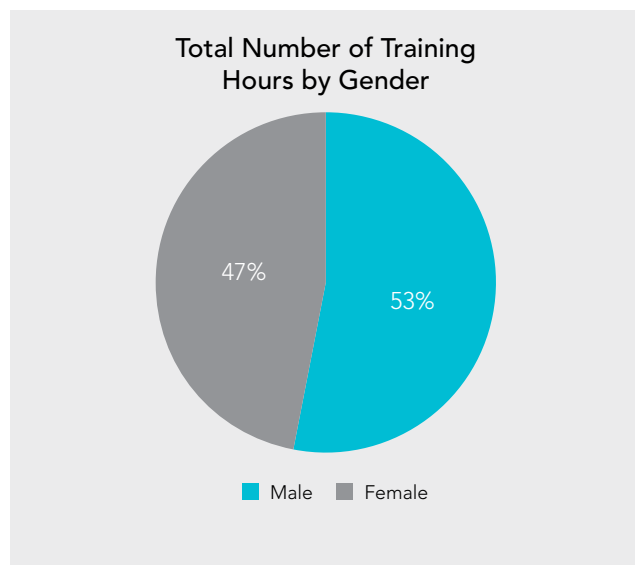
Our Employee Profile

1,749 people are employed across the portfolio of assets included in this report. Of that, 90% are permanent employees with just 10% considered temporary. Our average monthly new hire rate was 2.5% and our average monthly turnover was 1.8% in 2018. Our gender diversity is fairly even amongst current employees and both our new hires and leavers.

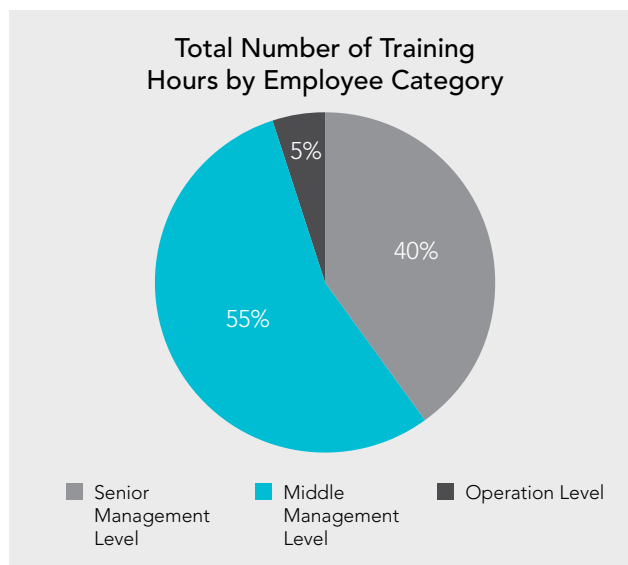


Training and Development

With regard to training and development, our employees in Singapore are provided with various opportunities during the year and will undergo annual performance appraisals. GMA and Lowry adopt a similar approach which focuses on employee wellbeing. Employees across the group received an average of 38 hours of training per employee over the year ⁽¹⁾. All of our employees undergo annual performance appraisals.



Gender	Total No. of Training Hours
Male	35,364
Female	31,400
Total	66,764



Employee Category	Total No. of Training Hours
Senior Management Level	3,778
Middle Management Level	36,749
Operation Level	26,606
Total	67,133

(1) Percentages presented in graph is calculated as percentage breakdown of gender/employee category by total number of training hours.

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SUSTAINABILITY REPORT

A summary of the various initiatives adopted by our hotels are compiled in the table below:

Singapore	United Kingdom	New Zealand
<p>NCQ:</p> <ul style="list-style-type: none"> Employees attend learning and development programmes such as leadership courses and WSQ training modules Informal trainings are conducted through our mobile bite size learning platform, U-leap, with topics such as customer service skills, housekeeping learning clips <p>M&C Hotels: OHS, GCW, CKS, STM, MHS</p> <ul style="list-style-type: none"> Outstanding Service Excellence 2 ("OSE2") training is a program that is compulsory for all Millennium & Copthorne ("M&C") staff and is also part of the probation and confirmation requirement for all new staff 	<p>Lowry:</p> <ul style="list-style-type: none"> Maintains ongoing succession planning and meetings which encourage talent retention as they seek to promote and transfer our employees based on their performance This initiative has been met with great success as we seek to have more than twenty (20) employees that are promoted or transferred each year 	<p>GMA:</p> <ul style="list-style-type: none"> Organise employee health and wellness programmes, to promote a healthy lifestyle E.g. lunch-time wellness talks, department trips, annual events Employees are also given the opportunity to adopt flexible work arrangements Employee feedback and open communication between employees and management is highly encouraged within the workplace

Our target for 2018 was to record a minimum attendance rate of 75% for OSE2 training across the entire Singapore portfolio. We have achieved 100% attendance rate in 2018. Next year, our broader aim is to complete an average of 30 hours of training per employee per year for each of the hotels scoped for 2019.

WORKPLACE HEALTH AND SAFETY

CDLHT recognises that our employees are our greatest asset; hence their safety and well-being are of utmost importance. We are accountable for the health and safety of our employees in the workplace and strive to provide them with a safe working environment. Through various policies and processes, CDLHT adopts all practical means to eliminate hazards and reduce the risk of injury to our employees and contractors.

Management Approach

In Singapore, monthly safety reports are sent to management and contractors are audited based on their operations to ensure that they meet the safety requirements in accordance with local laws. Workplace risk assessments are carried out to identify these hazards and determine how employees might be at risk. Hazards are recorded and reviewed annually or when the need arises. Communication of hazard and risk identification and WHS employees is crucial and an essential part of managing health and safety risks. A safety manager conducts bi-annual spot checks and carries out timely investigations and execution of preventive and corrective actions upon reported incidents by employees and visitors. We ensure that our assets, including elevators, escalators and stairwells, are well maintained and all hazards are well signposted. Our employees are provided with regular training and educated on the potential health risk and safety hazards in the work environment and the proper precautions to undertake.

Listed below are some initiatives adopted by our hotels:

Initiative 1 : CKS Workplace Health and Safety ("WHS") Committee

- Oversees leadership, engagement of people, process approach, improvement and several other factors that are material to the health and safety practice within the Company
- Purpose of WHS Committee
 - Provide a forum for both management and workers to identify and resolve health and safety issues
 - To develop and monitor safe systems and procedures
- WHS Committee also holds a meeting once every three months for discussion of such matters

SUSTAINABILITY REPORT

Initiative 2 :

GMA's Wellbeing Committee

- Oversees the health and safety of hotel staff and monitors the conduct of external contractors
- Purpose of this is to manage WHS within the hotel and ensure that health and safety regulations are adhered to
- Monthly duties:
 - o Wellbeing Committee consists of team members from line level to senior management, meets on a monthly basis and submits monthly safety reports to the management
 - o General Manager and Chief Engineer conduct a monthly hotel walk around to identify hazards and risks
- Employees are required to complete incident reports after every near miss, accident and potential hazard which will be submitted to Human Resource ("HR") team for record and review in order to eliminate risks
- All hotel employees are required to complete Health and Safety training before they are able to start work to ensure that all members of the team are responsible for their own health and safety
- GMA provides an Employee Assistance Programme where team members have access to counselling services for both work and personal issues.

Initiative 3 :

Lowry's Occupational Health & Safety Management System

- The Navitas health and safety system which stores risk assessments, accident reports and policies, is in place
- A health and safety audit is carried out annually
- Risks are constantly monitored and assessed
- Risk assessments are reviewed bi-annually with the HOD and team to ensure that hazards and accidents are reported

OUR PERFORMANCE

During the year, there were zero incidents of fatality or permanent injury at all assets and zero incidents of non-compliance to regulations related to health and safety, which allows us to meet our 2018 target. In the upcoming year, we aim to maintain this performance. We are working with our hotel portfolio to standardise accident reporting to allow a portfolio-wide calculation of our injury rates. There was one unfortunate high-consequence injury at Lowry Hotel where an employee was allegedly electrocuted while carrying out maintenance work. Fortunately, it was not a fatality and just a high risk incident.

GOVERNANCE

We believe that genuine commitment to good corporate governance is essential to sustainable growth of the Company.

CORPORATE GOVERNANCE

Maintaining the trust of the public is important to us as our reputation plays a key role in the success of our company. CDLHT is committed to upholding high ethical standards and integrity in our operations through good corporate governance, responsible business practices as well as an accountable and transparent management system, as means of preventing and minimising non-compliance, misconduct or corrupt business practices.

We have in place various policies such as our Anti-Bribery Policy, Anti-Bribery and Anti-Corruption Compliance Guide, Business Hospitality and Gifts Policy, Charity Policy, Corporate Communications Policy, Global Data Protection Policy, Related Party Transactions - Policy and Procedure, Whistleblowing Policy and many others.

As a means of practicing good corporate governance throughout CDLHT, training is provided to employees with regard to compliance related issues relevant to their respective business functions. Upon joining, new employees are introduced to the Company's anti-corruption policy. All employees are required to adhere to the Employee Code of Conduct and to maintain high levels of integrity throughout our operations. CDLHT also seeks professional advice from external legal advisors with regard to new updated on rules and regulations in the business environment that we operate in.

CDLHT aims to maintain zero incidences of non-compliance with laws or regulations resulting in significant fines and non-monetary sanctions. We also target to conduct training on the relevant policies during orientation for new hires, as well as compliance trainings and awareness programmes for key management personnel on a bi-annual basis.

FINANCIAL STATEMENTS

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REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

The directors of M&C Business Trust Management Limited, the Trustee-Manager of CDL Hospitality Business Trust ("**HBT**") and its subsidiaries (collectively, the "**HBT Group**"), are pleased to submit this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2018.

DIRECTORS

The directors of the Trustee-Manager in office at the date of this report are as follows:

Chan Soon Hee, Eric	(Chairman) (Appointed on 22 June 2018)
Vincent Yeo Wee Eng	(Chief Executive Officer)
Ronald Seah Lim Siang	
Foo Say Mui (Bill)	
Kenny Kim	
Cheah Sui Ling	

DIRECTORS' INTEREST IN UNITS OR DEBENTURES

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "**Act**"), particulars of interest of director who held office at the end of the financial year (including those held by their spouses and children below 18 years of age) in units of HBT are as follows:

	Holdings at beginning of the year	Holdings at end of the year
Vincent Yeo Wee Eng	138,000	138,000

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in units of HBT either at the beginning of the financial year, or the date of appointment if later, or at the end of the financial year.

There were no changes in the abovementioned interests of HBT between the end of the financial year and 21 January 2019.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE UNITS AND DEBENTURES

Neither at the end of, nor at any time during the financial year, was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in or debentures of HBT.

DIRECTORS' CONTRACTUAL BENEFITS

During the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by HBT or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

OPTIONS

During the financial year, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued units in HBT; and
- (ii) no units issued by virtue of any exercise of option to take up unissued units of HBT.

As at the end of the financial year, there were no unissued units of HBT under options.

REPORTS

REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee during the year and at the date of this statement are:

- Foo Say Mui (Bill) (Chairman), Independent, non-executive director
- Ronald Seah Lim Siang, Independent, non-executive director
- Kenny Kim, Independent, non-executive director

The Audit and Risk Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit and Risk Committee has held four meetings since the last report of the Trustee-Manager. In performing its functions, the Audit and Risk Committee met with HBT's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the HBT's internal accounting control system.

The Audit and Risk Committee also reviewed the following:

- assistance provided by HBT's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of HBT prior to their submission to the directors of the Trustee-Manager for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit and Risk Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit and Risk Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors of the Trustee-Manager that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of HBT.

In appointing our auditors for HBT Group, we have complied with Rules 712 and 715 of the SGX Listing Manual.

AUDITORS

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

STATEMENT BY THE TRUSTEE-MANAGER

In our opinion:

- (a) the consolidated financial statements of HBT Group set out on pages 132 to 234 are drawn up so as to give a true and fair view of the state of affairs of HBT Group as at 31 December 2018 and the financial performance, movements in unitholders' funds and cash flows of HBT Group for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that HBT Group will be able to pay its debts as and when they fall due.

With respect to the statement of profit or loss of HBT Group for the financial year ended 31 December 2018:

- fees or charges paid or payable out of the trust property to the Trustee-Manager are in accordance with HBT's trust deed dated 12 June 2006 (as amended);
- interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and
- the Board of Directors is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the HBT Group or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**For and on behalf of the Board of Directors of the Trustee-Manager,
M&C Business Trust Management Limited**

Chan Soon Hee, Eric
Director

Vincent Yeo Wee Eng
Director

4 March 2019

REPORTS

STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

In accordance with Section 86 of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of HBT Group or on the interests of all the unitholders of HBT as a whole.

Vincent Yeo Wee Eng
Chief Executive Officer

4 March 2019

REPORT OF THE TRUSTEE OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

DBS Trustee Limited (the "**H-REIT Trustee**") is under a duty to take into custody and hold the assets of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") held by it or through its subsidiaries (collectively, the "**H-REIT Group**") in trust for the holders of units in H-REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the H-REIT Trustee shall monitor the activities of M&C REIT Management Limited (the "**H-REIT Manager**") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 8 June 2006 (as amended) (the "**H-REIT Trust Deed**") between the H-REIT Manager and the H-REIT Trustee in each annual accounting period; and report thereon to unitholders in an annual report.

To the best knowledge of the H-REIT Trustee, the H-REIT Manager has, in all material respects, managed the H-REIT Group during the period covered by these financial statements set out on pages 132 to 234, in accordance with the limitations imposed on the investment and borrowing powers set out in the H-REIT Trust Deed.

**For and on behalf of the H-REIT Trustee,
DBS Trustee Limited**

Jane Lim Puay Yuen
Director

4 March 2019

REPORTS

REPORT OF THE MANAGER OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

In the opinion of M&C REIT Management Limited (the "**H-REIT Manager**"), the Manager of CDL Hospitality Real Estate Investment Trust ("**H-REIT**"), the accompanying consolidated financial statements of H-REIT and its subsidiaries (collectively, the "**H-REIT Group**"), and CDL Hospitality Trusts (the "**Stapled Group**", comprising the H-REIT Group and HBT Group) set out on pages 132 to 234, comprising the statement of financial position, statement of total return, statement of movements in unitholders' funds, portfolio statement and statement of cash flows of the H-REIT Group; the statement of financial position, statement of total return, statement of movements in unitholders' funds, distribution statement, portfolio statement and statement of cash flows of the Stapled Group; and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial positions and portfolio holdings of the H-REIT Group and the Stapled Group as at 31 December 2018 and the financial performance, movements in unitholders' funds and cash flows of the H-REIT Group and of the Stapled Group and the distributable income of the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of H-REIT's trust deed between DBS Trustee Limited (the "**H-REIT Trustee**") and the H-REIT Manager dated 8 June 2006 (as amended) and the stapling deed of CDL Hospitality Trusts between the H-REIT Trustee, the H-REIT Manager and M&C Business Trust Management Limited (the Trustee-Manager of HBT) dated 12 June 2006 (as amended). At the date of this statement, there are reasonable grounds to believe that the H-REIT Group and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

**For and on behalf of the H-REIT Manager,
M&C REIT Management Limited**

Vincent Yeo Wee Eng
Director

4 March 2019

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS

CDL Hospitality Business Trust

(Constituted under a Trust Deed in the Republic of Singapore)

CDL Hospitality Real Estate Investment Trust

(Constituted under a Trust Deed in the Republic of Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited:

- (i) the consolidated financial statements of CDL Hospitality Business Trust ("**HBT**") and its subsidiaries (the "**HBT Group**"), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of the HBT Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;
- (ii) the consolidated financial statements of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and its subsidiaries (the "**H-REIT Group**"), which comprise the statement of financial position and portfolio statement as at 31 December 2018, the statement of total return, statement of movements in unitholders' funds and statement of cash flows of the H-REIT Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies; and
- (iii) the consolidated financial statements of CDL Hospitality Trusts, which comprise the statement of financial position and portfolio statement as at 31 December 2018, the statement of total return, distribution statement, statement of movements in unitholders' funds and statement of cash flows of CDL Hospitality Trusts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;

as set out on pages 132 to 234. CDL Hospitality Trusts, which comprises the HBT Group and the H-REIT Group, is hereinafter referred to as the "**Stapled Group**".

In our opinion:

- (a) the accompanying consolidated financial statements of the HBT Group are properly drawn up in accordance with the provisions of the Business Trust Act, Chapter 31A of Singapore (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the state of affairs of the HBT Group as at 31 December 2018 and the financial performance, movements in unitholders' funds and cash flows of the HBT Group for the year ended on that date; and
- (b) the accompanying consolidated financial statements of the H-REIT Group and the Stapled Group present fairly, in all material respects, the financial position and portfolio holdings of the H-REIT Group and the Stapled Group as at 31 December 2018 and the financial performance, movements in unitholders' funds and cash flows of the H-REIT Group and the financial performance, distributable income, movements in unitholders' funds and cash flows of the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("**RAP**") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants ("**ISCA**").

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the HBT Group, the H-REIT Group and the Stapled Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORTS

INDEPENDENT AUDITORS' REPORT

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

(Refer to Note 4 to the financial statements)

The key audit matter

The Stapled Group and the H-REIT Group have hotel properties which are classified as investment properties with a carrying value of \$2.4 billion and \$2.5 billion respectively, as at 31 December 2018. Investment properties represent the most significant asset item on the statement of financial position.

The Stapled Group's and H-REIT Group's accounting policy is to state investment properties at fair value which is based on independent external valuations. The valuation process involves significant judgement in determining the valuation method to be used and estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions applied and a change in assumptions could have a significant impact to the valuation.

How the matter was addressed in our audit

We considered the valuation methodologies used against those applied for similar property types by other valuers. We assessed the reasonableness of the key assumptions used in the valuations which included a comparison of the assumptions against historical rates and available industry data, taking into consideration comparability and market factors.

Our findings

The valuation methods and key assumptions used by the valuers were comparable to the methods and assumptions used for similar property types by other valuers and available industry data.

Valuation of property, plant and equipment

(Refer to Note 5 to the financial statements)

The key audit matter

The Stapled Group, the H-REIT Group and the HBT Group have hotels classified as property, plant and equipment with a total carrying value of \$348.2 million, \$84.2 million and \$202.3 million respectively, as at 31 December 2018. Property, plant and equipment represents a significant asset item on the statement of financial position.

The Stapled Group's, the H-REIT Group's and the HBT Group's accounting policy is to revalue freehold land, leasehold land and buildings included as part of property, plant and equipment to their fair value at the reporting date based on independent external valuations. The valuation process involves significant judgement in determining the valuation method to be used and estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions applied and a change in assumptions could have a significant impact to the valuation.

How the matter was addressed in our audit

We considered the valuation methodologies used against those applied for similar property types by other valuers. We assessed the reasonableness of the key assumptions used in the valuations which included a comparison of the assumptions against historical rates and available industry data, taking into consideration comparability and market factors.

Our findings

The valuation methods and key assumptions used by the valuers were comparable to the methods and assumptions used for similar property types by other valuers and available industry data.

INDEPENDENT AUDITORS' REPORT

Other information

M&C Business Trust Management Limited, the Trustee-Manager of HBT (the "**HBT Trustee-Manager**") and M&C REIT Management Limited, the Manager of H-REIT (the "**H-REIT Manager**") are responsible for the other information. The other information is defined as all information in the annual report other than the financial statements and our auditors' reports thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the HBT Trustee-Manager for the financial statements

The HBT Trustee-Manager is responsible for the preparation of financial statements of the HBT Group that gives a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

In preparing the financial statements, the HBT Trustee-Manager is responsible for assessing the ability of the HBT Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the HBT Trustee-Manager either intends to terminate the HBT Group or to cease the operations of the HBT Group, or has no realistic alternative but to do so.

The HBT Trustee-Manager's responsibilities include overseeing the HBT Group's financial reporting process.

Responsibilities of the H-REIT Manager for the financial statements

The H-REIT Manager is responsible for the preparation and fair presentation of the financial statements of the H-REIT Group and the Stapled Group in accordance with the recommendations of RAP 7 issued by ISCA, and for such internal controls as the H-REIT Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the H-REIT Manager is responsible for assessing the ability of the H-REIT Group and the Stapled Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the H-REIT Manager either intends to terminate the H-REIT Group and the Stapled Group or to cease the operations of the H-REIT Group and the Stapled Group, or has no realistic alternative but to do so.

The H-REIT Manager's responsibilities include overseeing the financial reporting process of the H-REIT Group and of the Stapled Group.

REPORTS

INDEPENDENT AUDITORS' REPORT

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the HBT Group, the H-REIT Group and the Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the HBT Trustee-Manager and the H-REIT Manager.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the HBT Trustee-Manager and the H-REIT Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the HBT Group, the H-REIT Group and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the HBT Group, the H-REIT Group and the Stapled Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the HBT Group, the H-REIT Group and the Stapled Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the HBT Trustee-Manager and the H-REIT Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the HBT Trustee-Manager and the H-REIT Manager with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the HBT Trustee-Manager and the H-REIT Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the HBT Trustee-Manager on behalf of HBT have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lo Mun Wai.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

4 March 2019

REPORTS

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		HBT Group			H-REIT Group		Stapled Group	
	Note	2018 \$'000	2017 \$'000	1 Jan 2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current assets								
Investment properties	4	–	–	–	2,497,456	2,386,430	2,428,921	2,331,433
Property, plant and equipment	5	202,316	206,192	107,432	84,186	78,183	348,183	332,666
Prepaid land lease		–	–	–	–	–	6,853	6,707
Deferred tax asset	12	–	–	–	606	297	606	297
Financial derivative asset	10	–	–	–	3,960	–	3,960	–
Other receivables	6	–	–	–	149	149	149	149
		202,316	206,192	107,432	2,586,357	2,465,059	2,788,672	2,671,252
Current assets								
Inventories		889	1,161	1,053	–	–	889	1,161
Trade and other receivables	6	11,241	8,297	5,820	39,791	20,909	32,828	20,758
Financial derivative assets	10	70	7	66	124	245	195	252
Cash and cash equivalents	7	12,506	17,278	14,301	127,077	78,591	139,583	95,869
		24,706	26,743	21,240	166,992	99,745	173,495	118,040
Assets held for sale	8	–	–	–	–	72,863	–	72,863
		24,706	26,743	21,240	166,992	172,608	173,495	190,903
Total assets		227,022	232,935	128,672	2,753,349	2,637,667	2,962,167	2,862,155
Non-current liabilities								
Loans and borrowings	9	93,418	96,264	–	669,275	547,719	762,693	643,983
Other payables	11	–	–	117,831	10,243	9,397	10,243	9,397
Deferred tax liabilities	12	15,367	13,481	6,213	16,262	17,771	31,629	31,252
		108,785	109,745	124,044	695,780	574,887	804,565	684,632
Current liabilities								
Loans and borrowings	9	–	–	–	248,675	286,227	248,675	286,227
Financial derivative liabilities	10	–	14	52	37	262	37	276
Trade and other payables	11	24,811	16,275	11,964	35,152	34,113	41,758	41,940
Provision for taxation		573	521	656	11,237	3,296	11,810	3,817
		25,384	16,810	12,672	295,101	323,898	302,280	332,260
Total liabilities		134,169	126,555	136,716	990,881	898,785	1,106,845	1,016,892
Net assets/(liabilities)		92,853	106,380	(8,044)	1,762,468	1,738,882	1,855,322	1,845,263
Represented by:								
Unitholders' funds		92,853	106,380	(8,044)	1,754,809	1,733,892	1,847,663	1,840,273
Non-controlling interests	13	–	–	–	7,659	4,990	7,659	4,990
		92,853	106,380	(8,044)	1,762,468	1,738,882	1,855,322	1,845,263
Units/Stapled Securities in issue ('000)	14	1,205,465	1,198,823	991,771	1,205,465	1,198,823	1,205,465	1,198,823
Net asset value per Unit/ Stapled Security (\$)	15	0.0767	0.0884	(0.0081)	1.45	1.44	1.53	1.53

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS OF THE HBT GROUP STATEMENTS OF TOTAL RETURN OF THE H-REIT GROUP AND THE STAPLED GROUP

Year ended 31 December 2018

	Note	HBT Group		H-REIT Group		Stapled Group	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue	16	58,670	60,829	152,292	152,535	201,803	204,315
Property expenses							
Operations and maintenance expenses		(12,424)	(12,836)	–	–	(12,424)	(12,836)
Employee benefit expense		(15,748)	(13,235)	–	–	(15,748)	(13,235)
Rental expense		(9,826)	(9,608)	–	–	(667)	(559)
Property tax		(2,352)	(1,839)	(7,482)	(7,810)	(9,834)	(9,649)
Other property expenses		(12,096)	(11,571)	(4,980)	(4,705)	(17,076)	(16,276)
		(52,446)	(49,089)	(12,462)	(12,515)	(55,749)	(52,555)
Net property income		6,224	11,740	139,830	140,020	146,054	151,760
H-REIT Manager's management fee	17	–	–	(12,873)	(13,179)	(12,873)	(13,179)
H-REIT Trustee's fee		–	–	(345)	(278)	(345)	(278)
HBT Trustee-Manager's management fee	17	(413)	(35)	–	–	(413)	(35)
HBT Trustee-Manager's trustee fee		(229)	(196)	–	–	(229)	(196)
HBT Trustee-Manager's acquisition fee		–	(94)	–	–	–	(94)
Valuation fee		(31)	(73)	(154)	(200)	(185)	(273)
Depreciation, amortisation and impairment losses	19	(6,624)	(12,288)	(2,126)	(2,093)	(11,711)	(17,524)
Other trust expenses		(1,176)	(2,643)	(3,507)	(2,151)	(4,683)	(4,760)
Finance income		407	1	5,438	2,121	5,516	367
Finance costs		(2,846)	(2,928)	(26,752)	(29,040)	(32,569)	(27,633)
Net finance costs	18	(2,439)	(2,927)	(21,314)	(26,919)	(27,053)	(27,266)
Net (loss)/income		(4,688)	(6,516)	99,511	95,200	88,562	88,155
Reversal of revaluation deficit/ (Revaluation deficit) on property, plant and equipment and prepaid land lease		–	–	710	(955)	(2,793)	(11,106)
Net fair value gain on investment properties		–	–	28,718	51,174	35,076	64,435
Gain on disposal of investment properties and related cessation of business of foreign operations		–	–	5,367	–	5,367	–
Loss/Total return for the year before tax	19	(4,688)	(6,516)	134,306	145,419	126,212	141,484
Tax expense	20	(2,505)	(1,291)	(13,170)	(11,069)	(15,675)	(12,360)
Loss/Total return for the year	21	(7,193)	(7,807)	121,136	134,350	110,537	129,124

The accompanying notes form an integral part of these financial statements.

REPORTS

STATEMENT OF PROFIT OR LOSS OF THE HBT GROUP STATEMENTS OF TOTAL RETURN OF THE H-REIT GROUP AND THE STAPLED GROUP

Year ended 31 December 2018

	Note	HBT Group		H-REIT Group		Stapled Group	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Total return attributable to:							
Unitholders		(7,193)	(7,807)	120,919	134,244	110,320	129,018
Non-controlling interests		–	–	217	106	217	106
		<u>(7,193)</u>	<u>(7,807)</u>	<u>121,136</u>	<u>134,350</u>	<u>110,537</u>	<u>129,124</u>
Earnings per Stapled Security (cents)	22						
Basic						9.16	11.65
Diluted						<u>9.12</u>	<u>11.59</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF THE HBT GROUP

Year ended 31 December 2018

	HBT Group	
	2018	2017
	\$'000	\$'000
Net loss for the year	(7,193)	(7,807)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation surplus on property, plant and equipment	5,256	7,691
Tax effect on revaluation surplus on property, plant and equipment	(1,471)	(705)
	<u>3,785</u>	<u>6,986</u>
Items that are or may be reclassified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign subsidiaries	(3,026)	2,721
Exchange differences on monetary items forming part of net investments in foreign operations	(2,915)	1,235
Exchange differences on hedge of net investments in foreign operations	2,475	(868)
	<u>(3,466)</u>	<u>3,088</u>
Other comprehensive income for the year, net of tax	<u>319</u>	<u>10,074</u>
Total comprehensive income for the year	<u>(6,874)</u>	<u>2,267</u>

The accompanying notes form an integral part of these financial statements.

REPORTS

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

HBT GROUP

	Units in issue and to be issued \$'000	Issue expenses \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2018	117,971	(121)	6,986	5,304	(23,760)	106,380
Operations						
- Decrease in net assets resulting from operations	–	–	–	–	(7,193)	(7,193)
Revaluation reserve						
- Revaluation surplus on property, plant and equipment	–	–	5,256	–	–	5,256
- Tax effect on revaluation surplus on property, plant and equipment	–	–	(1,471)	–	–	(1,471)
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	(3,026)	–	(3,026)
- Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	(2,915)	–	(2,915)
- Exchange differences on hedge of net investments in foreign operations	–	–	–	2,475	–	2,475
Other comprehensive income	–	–	3,785	(3,466)	–	319
Total comprehensive income	–	–	3,785	(3,466)	(7,193)	(6,874)
Balance carried forward	117,971	(121)	10,771	1,838	(30,953)	99,506

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

HBT GROUP (CONT'D)

	Units in issue and to be issued \$'000	Issue expenses \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance brought forward	117,971	(121)	10,771	1,838	(30,953)	99,506
Transactions with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
- Distributions to holders of Stapled Securities	(438)	–	–	–	(6,545)	(6,983)
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee	330	–	–	–	–	330
Total contributions by and distributions to owners	(108)	–	–	–	(6,545)	(6,653)
Total transactions with owners	(108)	–	–	–	(6,545)	(6,653)
At 31 December 2018	117,863	(121)	10,771	1,838	(37,498)	92,853

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into Singapore dollar, exchange differences on monetary items which form part of Stapled Group's net investment in foreign operations and exchange differences arising from hedge of net investment in foreign operations.

The accompanying notes form an integral part of these financial statements.

REPORTS

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

H-REIT GROUP

	Attribut- able to Stapled Security- holders \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2018	1,733,892	4,990	1,738,882
Operations			
- Increase in net assets resulting from operations	120,919	217	121,136
Revaluation reserve			
- Revaluation surplus on property, plant and equipment	3,232	–	3,232
- Tax effect on revaluation surplus on property, plant and equipment	(665)	–	(665)
Foreign currency translation reserve			
- Translation differences relating to financial statements of foreign subsidiaries	(5,518)	(18)	(5,536)
- Exchange differences on monetary items forming part of net investment in foreign operations	(6,196)	–	(6,196)
- Exchange differences on hedge of net investments in foreign operations	(2,796)	–	(2,796)
- Exchange differences transferred to statement of total return upon disposal of investment properties and related cessation of business of foreign operations	8,024	–	8,024
Other comprehensive income	(3,919)	(18)	(3,937)
Total comprehensive income	117,000	199	117,199
Transactions with owners, recorded directly in equity			
<u>Contributions by and distributions to owners</u>			
- Distributions to holders of Stapled Securities	(106,353)	–	(106,353)
- Distribution to non-controlling interests	–	(262)	(262)
- Return of capital to non-controlling interests	–	(49)	(49)
- Capital contribution from non-controlling interests	–	487	487
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fee	10,300	–	10,300
- Issue expenses	(30)	–	(30)
Total contributions by and distributions to owners	(96,083)	176	(95,907)
<u>Changes in ownership interests in subsidiaries</u>			
- Acquisition of subsidiaries with non-controlling interests	–	2,294	2,294
Total changes in ownership interests in subsidiaries	–	2,294	2,294
Total transactions with owners	(96,083)	2,470	(93,613)
At 31 December 2018	1,754,809	7,659	1,762,468

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

STAPLED GROUP

	Attributable to Stapled Security-holders \$'000	Non-controlling interest \$'000	Total \$'000
At 1 January 2018	1,840,273	4,990	1,845,263
Operations			
- Increase in net assets resulting from operations	110,320	217	110,537
Revaluation reserve			
- Revaluation surplus on property, plant and equipment	8,594	–	8,594
- Tax effect on revaluation surplus on property, plant and equipment	(2,136)	–	(2,136)
Foreign currency translation reserve			
- Translation differences relating to financial statements of foreign subsidiaries	(8,544)	(18)	(8,562)
- Exchange differences on monetary items forming part of net investment in foreign operations	(9,111)	–	(9,111)
- Exchange differences on hedge of net investments in foreign operations	2,979	–	2,979
- Exchange differences transferred to statement of total return upon disposal of investment properties and related cessation of business of foreign operations	8,024	–	8,024
Other comprehensive income	(194)	(18)	(212)
Total comprehensive income	110,126	199	110,325
Transactions with owners, recorded directly in equity			
<u>Contributions by and distributions to owners</u>			
- Distributions to holders of Stapled Securities	(113,336)	–	(113,336)
- Distribution to non-controlling interests	–	(262)	(262)
- Return of capital to non-controlling interests	–	(49)	(49)
- Capital contribution from non-controlling interests	–	487	487
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fee	10,300	–	10,300
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee	330	–	330
- Issue expenses	(30)	–	(30)
Total contributions by and distributions to owners	(102,736)	176	(102,560)
<u>Changes in ownership interests in subsidiaries</u>			
- Acquisition of subsidiaries with non-controlling interests	–	2,294	2,294
Total changes in ownership interests in subsidiaries	–	2,294	2,294
Total transactions with owners	(102,736)	2,470	(100,266)
As at 31 December 2018	1,847,663	7,659	1,855,322

The accompanying notes form an integral part of these financial statements.

REPORTS

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

HBT GROUP

	Units in issue and to be issued \$'000	Issue expenses \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2017	850	(121)	–	2,216	(10,989)	(8,044)
Operations						
- Decrease in net assets resulting from operations	–	–	–	–	(7,807)	(7,807)
Revaluation reserve						
- Revaluation surplus on property, plant and equipment	–	–	7,691	–	–	7,691
- Tax effect on revaluation surplus on property, plant and equipment	–	–	(705)	–	–	(705)
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	2,721	–	2,721
- Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	1,235	–	1,235
- Exchange differences on hedge of net investments in foreign operations	–	–	–	(868)	–	(868)
Other comprehensive income	–	–	6,986	3,088	–	10,074
Total comprehensive income	–	–	6,986	3,088	(7,807)	2,267
Balance carried forward	850	(121)	6,986	5,304	(18,796)	(5,777)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

HBT GROUP (CONT'D)

	Note	Units in issue and to be issued \$'000	Issue expenses \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance brought forward		850	(121)	6,986	5,304	(18,796)	(5,777)
Transactions with owners, recorded directly in equity							
<u>Contributions by and distributions to owners</u>							
- Distributions to holders of Stapled Securities		—	—	—	—	(4,964)	(4,964)
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee		28	—	—	—	—	28
- Rights issue		117,093	—	—	—	—	117,093
Total contributions by and distributions to owners		117,121	—	—	—	(4,964)	112,157
Total transactions with owners		117,121	—	—	—	(4,964)	112,157
At 31 December 2017		117,971	(121)	6,986	5,304	(23,760)	106,380

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into Singapore dollar, exchange differences on monetary items which form part of Stapled Group's net investment in foreign operations and exchange differences arising from hedge of net investment in foreign operations.

The accompanying notes form an integral part of these financial statements.

REPORTS

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

H-REIT GROUP

	Note	Attribut- able to Stapled Security- holders \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2017		1,554,465	–	1,554,465
Operations				
- Increase in net assets resulting from operations		134,244	106	134,350
Revaluation reserve				
- Revaluation surplus on property, plant and equipment		12,191	–	12,191
- Tax effect on revaluation surplus on property, plant and equipment		(2,019)	–	(2,019)
Foreign currency translation reserve				
- Translation differences relating to financial statements of foreign subsidiaries		(22,868)	–	(22,868)
- Exchange differences on monetary items forming part of net investment in foreign operations		1,974	–	1,974
- Exchange differences on hedge of net investments in foreign operations		10,342	–	10,342
Other comprehensive income		(380)	–	(380)
Total comprehensive income		133,864	106	133,970
Transactions with owners, recorded directly in equity				
<u>Contributions by and distributions to owners</u>				
- Distributions to holders of Stapled Securities		(99,250)	–	(99,250)
- Distribution to non-controlling interests		–	(143)	(143)
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fee		10,543	–	10,543
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee		–	–	–
- Rights issue		138,325	–	138,325
- Issue expenses		(4,055)	–	(4,055)
Total contributions by and distributions to owners		45,563	(143)	45,420
<u>Changes in ownership interests in subsidiaries</u>				
- Acquisition of subsidiaries with non-controlling interests	28	–	5,027	5,027
Total changes in ownership interests in subsidiaries		–	5,027	5,027
Total transactions with owners		45,563	4,884	50,447
At 31 December 2017		1,733,892	4,990	1,738,882

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

STAPLED GROUP

	Note	Attributable to Stapled Security-holders \$'000	Non-controlling interests \$'000	Total \$'000
At 1 January 2017		1,546,421	–	1,546,421
Operations				
- Increase in net assets resulting from operations		129,018	106	129,124
Revaluation reserve				
- Revaluation surplus on property, plant and equipment		19,882	–	19,882
- Tax effect on revaluation surplus on property, plant and equipment		(2,724)	–	(2,724)
Foreign currency translation reserve				
- Translation differences relating to financial statements of foreign subsidiaries		(20,147)	–	(20,147)
- Exchange differences on monetary items forming part of net investment in foreign operations		3,209	–	3,209
- Exchange differences on hedge of net investments in foreign operations		6,894	–	6,894
Other comprehensive income		7,114	–	7,114
Total comprehensive income		136,132	106	136,238
Transactions with owners, recorded directly in equity				
<u>Contributions by and distributions to owners</u>				
- Distributions to holders of Stapled Securities		(104,214)	–	(104,214)
- Distribution to non-controlling interests		–	(143)	(143)
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fee		10,543	–	10,543
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee		28	–	28
- Rights issue		255,418	–	255,418
- Issue expenses		(4,055)	–	(4,055)
Total contributions by and distributions to owners		157,720	(143)	157,577
<u>Changes in ownership interests in subsidiaries</u>				
- Acquisition of subsidiaries with non-controlling interests	28	–	5,027	5,027
Total changes in ownership interests in subsidiaries		–	5,027	5,027
Total transactions with owners		157,720	4,884	162,604
At 31 December 2017		1,840,273	4,990	1,845,263

The accompanying notes form an integral part of these financial statements.

REPORTS

DISTRIBUTION STATEMENT

Year ended 31 December 2018

	Note	Stapled Group	
		2018 \$'000	2017 \$'000
Amount available for distribution to holders of Stapled Securities at the beginning of the year		60,597	54,465
Total return of H-REIT	21	105,296	79,234
Total return of HBT	21	(15,577)	6,756
Net tax adjustments (Note A)		19,885	30,264
		109,604	116,254
Less: Amount retained for working capital		(10,960)	(11,625)
Add: Capital distribution		12,959	5,717
Amount available for distribution to holders of Stapled Securities		172,200	164,811
Distribution to holders of Stapled Securities:			
Distribution of 5.55 cents per Stapled Security for the period from 1/7/2016 to 31/12/2016		–	(55,095)
Distribution of 4.41 cents per Stapled Security for the period from 1/1/2017 to 30/6/2017		–	(49,119)
Distribution of 5.12 cents per Stapled Security for the period from 1/7/2017 to 31/12/2017		(61,420)	–
Distribution of 4.31 cents per Stapled Security for the period from 1/1/2018 to 30/6/2018		(51,916)	–
		(113,336)	(104,214)
Amount available for distribution to holders of Stapled Securities at the end of the year		58,864	60,597
Distribution per Stapled Security (DPS) (cents) ⁽¹⁾		9.26	9.22
Note A – Net tax adjustments comprise:			
Non-tax deductible/(chargeable) items:			
- Amortisation of transaction costs		1,232	1,480
- Fair value gains on financial derivatives		(4,064)	(161)
- Income in relation to gain on disposal of investment properties		(7,567)	–
- Financial expense arising from accretion of non-current rental deposits measured at amortised cost		222	213
- Foreign exchange loss/(gain)		15,563	(5,083)
- Impairment loss on investment in subsidiaries		24,367	31,057
- H-REIT Manager's management fee paid/payable in Stapled Securities		10,300	10,543
- H-REIT Trustee's fees		345	278
- HBT Trustee-Manager's management fees paid/payable in Stapled Securities		330	28
- HBT Trustee-Manager's trustee fees		229	196
- Net fair value gain on investment properties		(21,885)	(10,035)
- Other items		813	1,748
Net tax adjustments		19,885	30,264

Distributions of the Stapled Group represents the aggregate of distributions by H-REIT and HBT.

(1) The DPS relates to the distributions in respect of the relevant financial year. The distribution for the second half of the financial year will be made subsequent to the financial year end.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2018

H-REIT GROUP

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2018 \$'000	Carrying value at 31/12/2017 \$'000	Percentage of total net assets at 31/12/2018 %	Percentage of total net assets at 31/12/2017 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	63 years	442 Orchard Road	Hotel	444,000	430,000	25.2	24.7
Claymore Connect	Freehold *	75 years	63 years	442 Orchard Road	Retail	95,800	90,000	5.4	5.2
Grand Copthorne Waterfront Hotel	Freehold *	75 years	63 years	392 Havelock Road	Hotel	357,000	352,000	20.3	20.2
M Hotel	Freehold *	75 years	63 years	81 Anson Road	Hotel	237,000	234,000	13.5	13.5
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	48 years	403 Havelock Road	Hotel	118,000	116,000	6.7	6.7
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	58 years	177A River Valley Road	Hotel	333,000	330,000	18.9	19.0
Studio M Hotel	Leasehold	99 years from 26 February 2007	87 years	3 Nanson Road	Hotel	154,000	153,000	8.7	8.8
Germany									
Pullman Hotel Munich	Freehold	–	–	Theodor-Dombart-Strasse 4, Munich	Hotel	180,434	168,858	10.2	9.7
Italy									
Hotel Cerretani Florence	Freehold	–	–	Via De Cerretani 68, Florence	Hotel	68,424	–	3.9	–
New Zealand									
Grand Millennium Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	214,714	217,833	12.2	12.5
Australia									
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	70,100	74,945	4.0	4.3
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	31,908	34,350	1.8	2.0
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	46,411	49,963	2.6	2.9
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	29 years	South Nilandhe Atoll	Resort	78,130	80,484	4.4	4.6
Dhevanafushi Maldives Luxury Resort	Leasehold	50 years from 15 June 2006	37 years	Gaafu Alifu Atoll	Resort	68,535	54,997	3.9	3.1
Investment properties						2,497,456	2,386,430	141.7	137.2

* H-REIT's interest in the freehold land is restricted to the remaining term of each respective lease.

The accompanying notes form an integral part of these financial statements.

REPORTS

PORTFOLIO STATEMENTS

As at 31 December 2018

H-REIT GROUP (CONT'D)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2018 \$'000	Carrying value at 31/12/2017 \$'000	Percentage of total net assets at 31/12/2018 %	Percentage of total net assets at 31/12/2017 %
Property, plant and equipment									
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	49,640	45,054	2.8	2.6
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	34,003	32,481	2.0	1.9
Other plant and equipment	–	–	–	–	–	543	648	–	–
Property, plant and equipment						84,186	78,183	4.8	4.5
Assets held for sale									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	–	72,863 ⁽¹⁾	–	4.2
Other assets and liabilities (net)						2,581,642 (819,174)	2,537,476 (798,594)	146.5 (46.5)	145.9 (45.9)
Net assets of the H-REIT Group						1,762,468	1,738,882	100.00	100.00

(1) Classified as "Assets held for sale" as at 31 December 2017 (Note 8). The sale was completed on 11 January 2018.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2018

STAPLED GROUP

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2018 \$'000	Carrying value at 31/12/2017 \$'000	Percentage of total net assets at 31/12/2018 %	Percentage of total net assets at 31/12/2017 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	63 years	442 Orchard Road	Hotel	444,000	430,000	23.9	23.3
Claymore Connect	Freehold *	75 years	63 years	442 Orchard Road	Retail	95,800	90,000	5.2	4.9
Grand Copthorne Waterfront Hotel	Freehold *	75 years	63 years	392 Havelock Road	Hotel	357,000	352,000	19.2	19.1
M Hotel	Freehold *	75 years	63 years	81 Anson Road	Hotel	237,000	234,000	12.8	12.6
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	48 years	403 Havelock Road	Hotel	118,000	116,000	6.4	6.3
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	58 years	177A River Valley Road	Hotel	333,000	330,000	17.9	17.9
Studio M Hotel	Leasehold	99 years from 26 February 2007	87 years	3 Nanson Road	Hotel	154,000	153,000	8.3	8.3
Germany									
Pullman Hotel Munich	Freehold	–	–	Theodor-Dombart-Strasse 4, Munich	Hotel	180,434	168,858	9.7	9.1
Italy									
Hotel Cerretani Florence	Freehold	–	–	Via De Cerretani 68, Florence	Hotel	68,424	–	3.7	–
New Zealand									
Grand Millennium Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	214,714	217,833	11.6	11.8
Australia									
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	70,100	74,945	3.8	4.0
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	31,908	34,350	1.7	1.9
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	46,411	49,963	2.5	2.7
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	29 years	South Nilandhe Atoll	Resort	78,130	80,484	4.2	4.4
Investment properties						2,428,921	2,331,433	130.9	126.3

* H-REIT's interest in the freehold land is restricted to the remaining term of each respective lease.

The accompanying notes form an integral part of these financial statements.

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PORTFOLIO STATEMENTS

As at 31 December 2018

STAPLED GROUP (CONT'D)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2018 \$'000	Carrying value at 31/12/2017 \$'000	Percentage of total net assets at 31/12/2018 %	Percentage of total net assets at 31/12/2017 %
Property, plant and equipment and prepaid land lease									
Maldives									
Dhevanafushi Maldives Luxury Resort	Leasehold	50 years from 15 June 2006	37 years	Gaafu Alifu Atoll	Resort	68,535	54,997	3.7	3.0
Japan									
Hotel MyStays Asakusabashi	Freehold	—	—	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	49,640	45,054	2.7	2.4
Hotel MyStays Kamata	Freehold	—	—	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	34,003	32,481	1.8	1.8
United Kingdom									
Hilton Cambridge City Centre	Leasehold	125 years from 25 December 1990	97 years	Downing Street, Cambridge	Hotel	110,037	111,898	5.9	6.1
The Lowry Hotel	Leasehold	150 years from 18 March 1997	128 years	Manchester	Hotel	92,278	94,295	5.0	5.1
Other plant and equipment	—	—	—	—	—	543	648	0.0	0.0
Property plant and equipment and prepaid land lease						355,036	339,373	19.1	18.4
Assets held for sale									
Mercure Brisbane and Ibis Brisbane	Freehold	—	—	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	—	72,863 ⁽¹⁾	—	4.0
Other assets and liabilities (net)						2,783,957 (928,635)	2,743,669 (898,406)	150.0 (50.0)	148.7 (48.7)
Net assets of the Stapled Group						1,855,322	1,845,263	100.0	100.0

(1) Classified as "Assets held for sale" as at 31 December 2017 (Note 8). The sale was completed on 11 January 2018.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2018

The valuations adopted for the investment properties were as follows:

	H-REIT Group		Stapled Group	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Investment properties				
Orchard Hotel	444,000	430,000	444,000	430,000
Grand Copthorne Waterfront Hotel	357,000	352,000	357,000	352,000
M Hotel	237,000	234,000	237,000	234,000
Copthorne King's Hotel	118,000	116,000	118,000	116,000
Novotel Singapore Clarke Quay	333,000	330,000	333,000	330,000
Studio M Hotel	154,000	153,000	154,000	153,000
Claymore Connect	95,800	90,000	95,800	90,000
Grand Millennium Auckland	214,714	217,833	214,714	217,833
Mercure Brisbane and Ibis Brisbane	–	72,863 ⁽¹⁾	–	72,863 ⁽¹⁾
Novotel Brisbane	70,100	74,945	70,100	74,945
Ibis Perth	31,908	34,350	31,908	34,350
Mercure Perth	46,411	49,963	46,411	49,963
Angsana Velavaru	78,130	80,484	78,130	80,484
Dhevanafushi Maldives Luxury Resort	68,535	54,997	–	–
Pullman Hotel Munich	180,434	168,858	180,434	168,858
Hotel Cerretani Florence	68,424	–	68,424	–
	2,497,456	2,459,293	2,428,921	2,404,296

(1) Classified as "Assets held for sale" as at 31 December 2017 (Note 8). The sale was completed on 11 January 2018.

The carrying values of property, plant and equipment and prepaid land lease by property are set out below:

	H-REIT Group		Stapled Group	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment and prepaid land lease				
Dhevanafushi Maldives Luxury Resort	–	–	68,535	54,997
Hotel MyStays Asakusabashi	49,640	45,054	49,640	45,054
Hotel MyStays Kamata	34,003	32,481	34,003	32,481
Hilton Cambridge City Centre	–	–	110,037	111,898
The Lowry Hotel	–	–	92,278	94,295
Other plant and equipment	543	648	543	648
	84,186	78,183	355,036	339,373

The accompanying notes form an integral part of these financial statements.

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PORTFOLIO STATEMENTS

As at 31 December 2018

As at 31 December 2018 and 31 December 2017, Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Grand Millennium Auckland are leased by the H-REIT Group to related corporations of the H-REIT Manager. Dhevanafushi Maldives Luxury Resort and Japan Properties are leased by the H-REIT Group to the HBT Group.

The terms of the lease are as follows:

Singapore

The leases for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel contain an initial term of 20 years from 19 July 2006 with an option to renew for another 20 years. The lease for Studio M Hotel contains an initial term of 20 years from 3 May 2011 with an option to renew up to a total term of 70 years. The lease for Novotel Singapore Clarke Quay contains a term of approximately 13.5 years from 7 June 2007. The leases for Claymore Connect generally contain an initial term of one to three years.

New Zealand

The lease for Grand Millennium Auckland contains an initial term of 3 years from 7 September 2016 with an option to extend for two 3-year periods.

Australia

The leases for the Australia properties contain a term of approximately 11 years from 19 February 2010.

Maldives

The lease for Angsana Velavaru contains a term of 10 years from 1 February 2013. Dhevanafushi Maldives Luxury Resort is leased to CDL HBT Oceanic Maldives Private Limited, an indirect subsidiary of HBT, for a term of 10 years from 31 December 2013.

Japan

The Japan properties are under master lease arrangements between a trust bank in Japan (in its capacity as the trust bank holding the legal title to the Japan hotels) and AKO GK, an indirect subsidiary of HBT. The lease for the properties was renewed for a term of 3 years from 18 July 2016.

Germany

The lease for Pullman Hotel Munich contains a term of 20 years from 14 July 2017. The leases for the office and retail components generally contain an initial term of one to five years.

Italy

The lease for Hotel Cerretani Florence contains a term of 20 years from 27 November 2018.

Subsequent renewals are renegotiated with the lessees.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Year ended 31 December 2018

	Note	HBT Group		H-REIT Group		Stapled Group	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash flows from operating activities							
Loss/Total return before tax		(4,688)	(6,516)	134,306	145,419	126,212	141,484
Adjustments for:							
H-REIT Manager's and HBT Trustee- Manager's fees paid/payable in Stapled Securities		330	28	10,300	10,543	10,630	10,571
Depreciation of property, plant and equipment	5	6,624	5,414	2,126	2,093	11,375	10,386
Amortisation of prepaid land lease		—	—	—	—	336	264
Impairment loss/(Reversal of impairment loss) on:							
- goodwill		—	6,874	—	—	—	6,874
- trade receivables		167	46	(86)	130	81	176
(Reversal of revaluation deficit)/ Revaluation deficit on property, plant and equipment and prepaid land lease		—	—	(710)	955	2,793	11,106
Property, plant and equipment written off		—	—	7	—	7	—
Net fair value gain on investment properties		—	—	(28,718)	(51,174)	(35,076)	(64,435)
Gain on disposal of investment properties and related cessation of business of foreign operations		—	—	(5,367)	—	(5,367)	—
Transaction costs for acquisition of a subsidiary		—	1,537	—	—	—	1,537
Net finance costs		2,439	2,927	21,314	26,919	27,053	27,266
Operating income before working capital changes		4,872	10,310	133,172	134,885	138,044	145,229
Changes in working capital:							
Inventories		275	81	—	—	275	81
Trade and other receivables		(3,043)	(378)	(17,205)	3,335	(10,836)	6,061
Trade and other payables		8,789	2,279	(876)	(7,598)	(1,485)	(8,291)
Cash generated from operating activities		10,893	12,292	115,091	130,622	125,998	143,080
Tax paid		(1,529)	(1,787)	(1,295)	(2,301)	(2,824)	(4,088)
Net cash generated from operating activities		9,364	10,505	113,796	128,321	123,174	138,992
Cash flows from investing activities							
Acquisition of subsidiaries, net of cash acquired	28	—	(94,232)	(47,736)	(157,394)	(47,736)	(251,626)
Additions to property, plant and equipment		(4,132)	(1,237)	(475)	(362)	(23,115)	(3,282)
Capital expenditure on investment properties		—	—	(32,332)	(15,630)	(13,840)	(14,113)
Proceeds from disposal of investment properties		—	—	80,149	—	80,149	—
Movements in intra group balances		—	—	—	115,998	—	—
Interest received		—	—	1,306	2,729	1,307	221
Net cash (used in)/generated from investing activities		(4,132)	(95,469)	912	(54,659)	(3,235)	(268,800)

The accompanying notes form an integral part of these financial statements.

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STATEMENTS OF CASH FLOWS

Year ended 31 December 2018

Note	HBT Group		H-REIT Group		Stapled Group	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash flows from financing activities						
Movements in intragroup balances	–	(115,998)	–	–	–	–
Proceeds from rights issue	–	117,093	–	138,325	–	255,418
Payment of transaction costs related to rights issue	–	–	(30)	(4,055)	(30)	(4,055)
Proceeds from bank loans	–	190,186	268,646	262,556	268,646	452,742
Repayment of bank loans	–	(94,446)	(205,420)	(343,612)	(205,420)	(438,058)
Payment of transaction costs related to bank loans	(29)	(745)	(881)	(823)	(910)	(1,568)
Finance costs paid	(2,689)	(3,123)	(15,438)	(15,190)	(18,127)	(15,805)
Distributions to holders of Stapled Securities	(6,983)	(4,964)	(106,353)	(99,250)	(113,336)	(104,214)
Distribution to holders of non-controlling interests	–	–	(314)	–	(314)	–
Capital contributions from non-controlling interests	–	–	487	–	487	–
Return of capital to non-controlling interests	–	–	(49)	–	(49)	–
Repayment of loan to non-controlling interests	–	–	(3,669)	–	(3,669)	–
Movement in restricted cash	–	–	(59)	183	(59)	183
Net cash (used in)/generated from financing activities	(9,701)	88,003	(63,080)	(61,866)	(72,781)	144,643
Net (decrease)/increase in cash and cash equivalents	(4,469)	3,039	51,628	11,796	47,158	14,835
Cash and cash equivalents at beginning of the year	17,278	14,301	77,370	66,471	94,648	80,772
Effect of exchange rate changes on cash and cash equivalents	(303)	(62)	(3,258)	(897)	(3,560)	(959)
Cash and cash equivalents at end of the year	7	12,506	17,278	125,740	138,246	94,648

Significant non-cash transactions

There were the following non-cash transactions:

- (i) 6,540,031 (2017: 7,219,635) Stapled Securities amounting to \$10.8 million (2017: \$10.0 million) were issued to the H-REIT Manager as satisfaction of the management fee payable in Stapled Securities.
- (ii) 102,663 (2017: 286,250) Stapled Securities amounting to \$0.2 million (2017: \$0.4 million) were issued to the HBT Trustee-Manager as satisfaction of the management fee payable in Stapled Securities.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the HBT Trustee-Manager, the H-REIT Manager and the H-REIT Trustee on 4 March 2019.

1 GENERAL

CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and its subsidiaries (the "**H-REIT Group**") and CDL Hospitality Business Trust ("**HBT**") and its subsidiaries (the "**HBT Group**") (collectively, the "**Stapled Group**"). H-REIT is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 8 June 2006 (as amended) (the "**H-REIT Trust Deed**") between M&C REIT Management Limited (the "**H-REIT Manager**") and DBS Trustee Limited (the "**H-REIT Trustee**"). The H-REIT Trust Deed is governed by the laws of the Republic of Singapore. The H-REIT Trustee is under a duty to take into custody and hold the assets of H-REIT held by it or through its subsidiaries in trust for the holders of units in H-REIT. HBT is a business trust constituted by a trust deed dated 12 June 2006 (as amended) (the "**HBT Trust Deed**") and is managed by M&C Business Trust Management Limited (the "**HBT Trustee-Manager**"). The securities in each of H-REIT and HBT are stapled together under the terms of a stapling deed dated 12 June 2006 entered into between the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager (the "**Stapling Deed**") and cannot be traded separately. Each stapled security in CDL Hospitality Trusts (the "**Stapled Security**") comprises a unit in H-REIT (the "**H-REIT Unit**") and a unit in HBT (the "**HBT Unit**").

CDL Hospitality Trusts was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 19 July 2006.

The principal activity of H-REIT and its subsidiaries is to invest in income producing real estate and real estate related assets, which are used or substantially used for hospitality and hospitality related purposes, with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth.

HBT functions as a master lessee and may also undertake certain hospitality and hospitality-related development projects, acquisition and investments which may not be suitable for H-REIT.

The consolidated financial statements of the H-REIT Group relate to H-REIT and its subsidiaries. The consolidated financial statements of the HBT Group relate to HBT and its subsidiaries. The consolidated financial statements of the Stapled Group relate to the HBT Group and the H-REIT Group.

Several service agreements are in place in relation to the management of HBT and H-REIT and its property operations. The fee structures of these services are as follows:

(i) *HBT Trustee-Manager's fees*

Prior to 1 May 2018

Pursuant to Clauses 12.1 and 12.2 of the HBT Trust Deed, the HBT Trustee-Manager is entitled to the following:

- Trustee fee of not exceeding 0.1% per annum of the value of HBT's Deposited Property (as defined in the HBT Trust Deed), subject to a minimum fee of \$10,000 per month, if the value of HBT's Deposited Property is at least \$50.0 million. The trustee fee is payable in arrears on a monthly basis in the form of cash.
- Management fee of 10% of HBT's profit before interest and tax in the relevant financial year (calculated before accounting for the management fee in that financial year).

The management fee is payable in the form of cash or Stapled Securities as the HBT Trustee-Manager may elect, and in such proportion and for such period as may be determined by the HBT Trustee-Manager.

Any increase in the maximum permitted rate or any change in the structure of the HBT Trustee-Manager's management fees must be approved by an extraordinary resolution at a meeting of the holders of the HBT units duly convened and held in accordance with the provisions of the HBT Trust Deed.

The portion of the management fee payable in the form of Stapled Securities is payable quarterly in arrears and the portion of the management fee payable in cash is payable monthly in arrears.

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NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)**(i) HBT Trustee-Manager's fees (cont'd)**Prior to 1 May 2018 (cont'd)

- An acquisition fee of not exceeding 0.1% of the acquisition price of any authorised investment acquired directly or indirectly by HBT (pro-rated if applicable to the proportion of HBT's interest in the authorised investment acquired). The acquisition fee is payable in the form of cash and/or Stapled Securities as the HBT Trustee-Manager may elect, and in such proportion as may be determined by the HBT Trustee-Manager.

From 1 May 2018

Pursuant to Clauses 12.1, 12.2, 12.3 and 12.4 of the HBT Trust Deed, the HBT Trustee-Manager is entitled to the following:

- Trustee fee of not exceeding 0.1% per annum of the value of HBT's Deposited Property (as defined in the HBT Trust Deed), subject to a minimum fee of \$10,000 per month, if the value of HBT's Deposited Property is at least \$50.0 million. The trustee fee is payable in arrears on a monthly basis in the form of cash.
- Management fees comprising a base fee of 0.25% per annum of the value of HBT's Deposited Property (as defined in the HBT Trust Deed) and a performance fee of 5.0% per annum of HBT's net property income (as defined in the HBT Trust Deed). Before the revision, management fee was 10% of HBT's profit before interest and tax in the relevant financial year (calculated before accounting for the management fee in that financial year).

The HBT Trustee-Manager's management fees are payable in the form of Stapled Securities and/or cash as the HBT Trustee-Manager may elect (such election to be irrevocable and made prior to the relevant calendar quarter), and in such proportion as may be determined by the HBT Trustee-Manager, such determination to be irrevocable and made prior to be relevant calendar quarter. Where the management fees are payable in the form of Stapled Securities or (in the event that unstapling of the H-REIT units and HBT units has taken place) HBT units, such Stapled Securities or HBT units shall be issued at the market price (as defined in the HBT Trust Deed) prevailing at the date the management fees accrue.

For the years ended 31 December 2018 and 31 December 2017, 80% of the HBT Trustee-Manager's management fees was satisfied in Stapled Securities and the remaining 20% was satisfied in cash.

Any increase in the maximum permitted rate or any change in the structure of the HBT Trustee-Manager's management fees must be approved by an extraordinary resolution at a meeting of holders of the HBT units duly convened and held in accordance with the provisions of the HBT Trust Deed.

The portion of the base management fee payable in the form of Stapled Securities is paid on a quarterly basis, in arrears. The portion of the base management fee payable in the form of cash is paid on a monthly basis, in arrears. Performance fee is paid on an annual basis in arrears, regardless of whether it is paid in the form of Stapled Securities or in cash.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

(i) HBT Trustee-Manager's fees (cont'd)

From 1 May 2018 (cont'd)

- An acquisition fee of 1% (0.75% for acquisitions from related parties as defined in the HBT Trust Deed) of the acquisition price and a divestment fee of 0.5% of the sale price on all future acquisitions or disposals of properties. Before the revision, acquisition fee was of not exceeding 0.1% of the acquisition price of any authorised investment acquired directly or indirectly by HBT (pro-rated if applicable to the proportion of HBT's interest in the authorised investment acquired).
- Both the acquisition fee and divestment fee are payable in the form of Stapled Securities and/or cash as the HBT Trustee-Manager may elect, and in such proportion as may be determined by the HBT Trustee-Manager. In the event that the HBT Trustee-Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of Stapled Securities issued at the market price.
- Development management fee of 3% of the Total Project Costs (as defined in the HBT Trust Deed) incurred in a Development Project (as defined in the HBT Trust Deed) undertaken on behalf of HBT Group. If the estimated Total Project Costs exceeds \$200.0 million, the HBT Trustee-Manager's independent directors will first review and approve the quantum of the development management fee whereupon the HBT Trustee-Manager may be directed by its independent directors to reduce the development management fee.

The development management fee is payable in equal monthly instalments in cash over the construction period of each Development Project based on the HBT Trustee-Manager's best estimate of the Total Project Costs and construction period and, if necessary, a final payment of the balance amount to be paid to the HBT Trustee-Manager or (as the case may be) paid by the HBT Trustee-Manager when the Total Project Costs is finalised. No acquisition fee shall be paid when the HBT Trustee-Manager receives the development management fee for a Development Project.

Any increase in the percentage or any change in the structure of the HBT Trustee-Manager's development management fee must be approved by an extraordinary resolution at a meeting of holders of the HBT units duly convened and held in accordance with the provisions of the HBT Trust Deed.

(ii) H-REIT Manager's fees

Prior to 1 May 2018

Pursuant to Clauses 14.1 and 14.2 of the H-REIT Trust Deed, the H-REIT Manager is entitled to the following:

- Management fees comprising a base fee of 0.25% per annum of the value of H-REIT's Deposited Property (as defined in the H-REIT Trust Deed) and a performance fee of 5.0% per annum of H-REIT's net property income (as defined in the H-REIT Trust Deed).

The H-REIT Manager's management fees are payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect (such election to be irrevocable and made prior to the relevant calendar quarter), and in such proportion as may be determined by the H-REIT Manager, such determination to be irrevocable and made prior to be relevant calendar quarter. Where the management fees are payable in the form of Stapled Securities or (in the event that unstapling of the H-REIT units and HBT units has taken place) H-REIT units, such Stapled Securities or H-REIT units shall be issued at the market price (as defined in the H-REIT Trust Deed) prevailing at the date the management fees accrue.

For the years ended 31 December 2018 and 31 December 2017, 80% of the H-REIT Manager's management fees was satisfied in Stapled Securities and the remaining 20% was satisfied in cash.

Any increase in the maximum permitted rate or any change in the structure of the H-REIT Manager's management fees must be approved by an extraordinary resolution at a meeting of holders of the H-REIT units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

REPORTS

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)**(ii) H-REIT Manager's fees (cont'd)**Prior to 1 May 2018 (cont'd)

The portion of the base management fee payable in the form of Stapled Securities is paid on a quarterly basis, in arrears. The portion of the base management fee payable in the form of cash is paid on a monthly basis, in arrears. Performance fee is paid on an annual basis in arrears, regardless of whether it is paid in the form of Stapled Securities or in cash.

- Acquisition fee of 1% of the acquisition price and a divestment fee of 0.5% of the sale price on all future acquisitions or disposals of properties. Both the acquisition fee and divestment fee are payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect, and in such proportion as may be determined by the H-REIT Manager. In the event that the H-REIT Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of Stapled Securities issued at the market price.

From 1 May 2018

The following amendments were made pursuant to Clauses 14.2 and 14.7 of the H-REIT Trust Deed:

- Acquisition fee of 1% (0.75% for acquisitions from related parties as defined in the H-REIT Trust Deed) of the acquisition price and a divestment fee of 0.5% of the sale price on all future acquisitions or disposals of properties. Both the acquisition fee and divestment fee are payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect, and in such proportion as may be determined by the H-REIT Manager. In the event that the H-REIT Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of Stapled Securities issued at the market price.
- Development management fee of 3% of the Total Project Costs (as defined in the H-REIT Trust Deed) incurred in a Development Project (as defined in the H-REIT Trust Deed) undertaken on behalf of H-REIT Group. If the estimated Total Project Costs exceeds \$200.0 million, the H-REIT Manager's independent directors will first review and approve the quantum of the development management fee whereupon the H-REIT Manager may be directed by its independent directors to reduce the development management fee.

The development management fee is payable in equal monthly instalments in cash over the construction period of each Development Project based on the H-REIT Manager's best estimate of the Total Project Costs and construction period and, if necessary, a final payment of the balance amount to be paid to the H-REIT Manager or (as the case may be) paid by the H-REIT Manager when the Total Project Costs is finalised. No acquisition fee shall be paid when the H-REIT Manager receives the development management fee for a Development Project.

Any increase in the percentage or any change in the structure of the H-REIT Manager's development management fee must be approved by an extraordinary resolution at a meeting of holders of the H-REIT units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

(iii) H-REIT Trustee's fee

Pursuant to the H-REIT Trust Deed, the H-REIT Trustee's fee shall not exceed 0.1% per annum of the value of H-REIT's Deposited Property (subject to a minimum of \$10,000 per month) or such higher percentage as may be fixed by an extraordinary resolution of a meeting of holders of the H-REIT units. The H-REIT Trustee's fee is payable out of H-REIT's Deposited Property on a monthly basis, in arrears. The H-REIT Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the H-REIT Trust Deed.

Based on the current agreement between the H-REIT Manager and the H-REIT Trustee, the H-REIT Trustee's fee is charged on a scaled basis of up to 0.02% per annum of the value of H-REIT's Deposited Property (subject to a minimum of \$10,000 per month).

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the HBT Group have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), the applicable requirements of the Business Trust Act, Chapter 31A of Singapore and the provisions of the HBT Trust Deed. These are HBT Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements of the HBT Group were prepared in accordance with Financial Reporting Standards in Singapore ("**FRS**"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* have affected the HBT Group is provided in Note 30.

The financial statements of the H-REIT Group and the Stapled Group are prepared in accordance with the Statement of Recommended Accounting Practice ("**RAP**") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") and the provisions of the H-REIT Trust Deed and the Stapling Deed. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of FRS.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as described below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of HBT and H-REIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 – Valuation of investment properties
- Note 5 – Valuation of property, plant and equipment
- Note 28 – Acquisition of subsidiaries (determination of fair value of assets acquired and liabilities assumed and impairment of goodwill in business combinations)

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NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)**2.4 Use of estimates and judgements (cont'd)****Measurement of fair values**

A number of the Stapled Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The H-REIT Manager and the HBT Trustee-Manager have an established control framework with respect to the measurement of fair values. This includes a team that regularly reviews significant unobservable inputs and reports directly to the Chief Financial Officer, who has overall responsibility for all significant fair value measurements.

The H-REIT Manager and the HBT Trustee-Manager regularly review significant unobservable inputs and valuation adjustments included in the fair value measurements. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the H-REIT Manager and the HBT Trustee-Manager assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS/SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

When measuring the fair value of an asset or a liability, the H-REIT Manager and the HBT Trustee-Manager use market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: unobservable inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Transfers between levels of the fair value hierarchy are recognised as of the end of the financial year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – Valuation of investment properties
- Note 5 – Valuation of property, plant and equipment
- Note 24 – Valuation of financial instruments
- Note 28 – Acquisition of subsidiaries (determination of fair value of assets acquired and liabilities assumed)

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the HBT Group, the H-REIT Group and the Stapled Group consistently to all periods presented in these financial statements, and in preparing the opening SFRS(I) statement of financial position at 1 January 2017 for the HBT Group for the purposes of transition to SFRS(I), unless otherwise stated.

3.1 Consolidation

(i) Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

(ii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Stapled Group.

The Stapled Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss or the statement of total return (as the case may be).

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRS/SFRS(I).

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Stapled Group incurs in connection with a business combination are expensed as incurred.

(iii) Property acquisitions and business combinations

At the time of acquisition, the Stapled Group considers whether each acquisition represents an acquisition of business or an acquisition of an asset. An acquisition is accounted for as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the HBT Trustee-Manager and the H-REIT Manager consider whether significant processes such as strategic management and operational processes, are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of business and accounted for as stated above. Where the acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

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NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.1 Consolidation (cont'd)****(iv) Subsidiaries**

Subsidiaries are entities controlled by either the HBT Group or the H-REIT Group. The HBT Group and the H-REIT Group control an entity when they are exposed to or has rights to, variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies of the HBT Group, the H-REIT Group and the Stapled Group, where appropriate. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the HBT Group, the H-REIT Group and the Stapled Group.

3.2 Foreign currencies**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the HBT Group, the H-REIT Group and the Stapled Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the statement of total return, except for differences arising on the translation of a financial liability designated as a hedge of the HBT Group's, H-REIT Group's and the Stapled Group's net investment in a foreign operation to the extent that the hedge is effective, which are recognised in unitholders' funds directly.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in other comprehensive income ("OCI") or the foreign currency translation reserve in unitholders' funds (as the case may be). However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss or the statement of total return (as the case may be) as part of the gain or loss on disposal. When only part of the interest in a subsidiary that includes a foreign operation is disposed of while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised directly in the foreign currency translation reserve in unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(iii) Hedge of net investment in foreign operation

The HBT Group, H-REIT Group and the Stapled Group apply hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the HBT Group, H-REIT Group and the Stapled Group's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in foreign currency translation reserve in unitholders' funds to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the statement of total return. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the statement of total return as part of the profit or loss on disposal.

3.3 Property, plant and equipment

(i) Recognition and measurement

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent to recognition, freehold land, leasehold land and buildings are measured at fair value less accumulated depreciation and accumulated impairment losses while other assets are measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any surplus arising on the revaluation is recognised in OCI or unitholders' funds (as the case may be), except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss or the statement of total return (as the case may be), in which case the credit to that extent is recognised in profit or loss or the statement of total return (as the case may be). Any deficit on revaluation is recognised in profit or loss or the statement of total return (as the case may be) except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in OCI or unitholders' funds (as the case may be).

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss or the statement of total return (as the case may be). The revaluation surplus included in equity or unitholders' funds (as the case may be) in respect of an item of property, plant and equipment measured using revaluation model, is transferred directly to accumulated profits or unitholders' funds (as the case may be).

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Stapled Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss or the statement of total return (as the case may be) as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

REPORTS

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.3 Property, plant and equipment (cont'd)****(iii) Depreciation (cont'd)**

Depreciation is recognised as an expense in profit or loss or the statement of total return (as the case may be) on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Stapled Group will obtain ownership by the end of the lease term. Freehold land and capital work-in-progress are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current year is as follows:

• Leasehold land	Remaining useful lives of land lease of 30 years to 129 years
• Buildings	31 years to 50 years
• Plant and machinery	10 - 12 years
• Furniture and fixtures	7 years
• Motor vehicles and boats	5 years
• Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Prepaid land lease

Prepaid land lease relates to upfront payment on long-term leasehold interest in land and amortised on a straight-line basis over the period of the lease.

3.5 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any changes therein recognised in the statement of total return.

The cost of a purchased property comprises its purchase price and any directly attributable expenditure including transaction costs. Fair value is determined in accordance with the H-REIT Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- at least once a year in accordance with the Property Funds Appendix of CIS Code issued by MAS; and
- where the H-REIT Manager proposes to issue new units for subscription or to redeem existing units unless the investment properties have been valued not more than 6 months ago.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

Properties are classified either as investment properties or property, plant and equipment in the statement of financial position. In assessing whether a property is classified as an investment property or property, plant and equipment, the Stapled Group takes into consideration several factors including, but not limited to, the business model, the extent of ancillary services provided, the power that the Stapled Group has to make significant operating and financing decisions regarding the operations of the property and the significance of its exposure to variations in the net cash flows of the property. The factors above are considered collectively, together with the facts and circumstances of each lease, in determining the classification of a property.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Stapled Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified at: amortised cost; fair value through OCI (FVOCI) – debit instrument; FVOCI – equity or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Stapled Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Stapled Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss or the statement of total return (as the case may be). Any gain or loss on derecognition is recognised in profit or loss or the statement of total return (as the case may be).

Non-derivative financial assets – Policy applicable before 1 January 2018

Non-derivative financial assets were classified into loans and receivables category.

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NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.6 Financial instruments (cont'd)****(ii) Classification and subsequent measurement (cont'd)****Non-derivative financial assets – Policy applicable before 1 January 2018 (cont'd)*****Loans and receivables***

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised trade and other receivables (excluding prepayments) and cash and cash equivalents.

Non-derivative financial liabilities

Non-derivative financial liabilities are classified at amortised cost. Such financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss or the statement of total return (as the case may be).

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Derecognition***Financial assets***

The Stapled Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Stapled Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Stapled Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Stapled Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss or the statement of total return (as the case may be).

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Stapled Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed deposits that are subject to an insignificant risk of changes in their fair values, and are used by the Stapled Group in the management of its short-term commitments. For the purpose of the statement of cash flows, restricted cash is excluded.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

(vi) Derivative financial instruments and hedge accounting

The Stapled Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss or the statement of total return (as the case may be) as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss or the statement of total return (as the case may be).

The Stapled Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Stapled Group documents the risk management objective and strategy for undertaking the hedge. The Stapled Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentation was aligned accordingly to the requirements of FRS 109 / SFRS(I) 9.

Net investment hedges

The Stapled Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within unitholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss or the statement of total return (as the case may be). The amount recognised in the translation reserve is reclassified to profit or loss or the statement of total return (as the case may be) as a reclassification adjustment on disposal of the foreign operation.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss or the statement of total return (as the case may be).

3.7 Leased assets

Leases in terms of which the Stapled Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Stapled Group's statement of financial position.

3.8 Inventories

Inventories comprise mainly food, beverage stocks, engineering items and spa supplies for the operations of hotels and a resort.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs.

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NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.9 Impairment****(i) Non-derivative financial assets****Policy applicable from 1 January 2018**

The Stapled Group recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost.

Loss allowances of the Stapled Group are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Stapled Group applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Stapled Group applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Stapled Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Stapled Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Stapled Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The Stapled Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Stapled Group in full, without recourse by the Stapled Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Stapled Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Stapled Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Policy applicable from 1 January 2018 (cont'd)

General approach (cont'd)

Credit-impaired financial assets

At each reporting date, the Stapled Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Stapled Group on terms that the Stapled Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Stapled Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Stapled Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Stapled Group on terms that the Stapled Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Stapled Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Stapled Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.9 Impairment (cont'd)****(i) Non-derivative financial assets (cont'd)****Policy applicable before 1 January 2018 (cont'd)***Loans and receivables (cont'd)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss or the statement of total return (as the case may be) and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Stapled Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss or the statement of total return (as the case may be).

Non-financial assets

The carrying amounts of the Stapled Group's non-financial assets, other than investment properties, deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss or the statement of total return (as the case may be). Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Stapled Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, freehold land, leasehold land and buildings included in property, plant and equipment, and investment properties, which continue to be measured in accordance with the Stapled Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss or the statement of total return (as the case may be). Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

3.11 Unitholders' funds

Unitholders' funds of the Stapled Group comprise unitholders' funds of the HBT Group and the H-REIT Group. Unitholders' funds are classified as equity.

Issue expenses relate to expenses incurred in connection with the issue of Stapled Securities. The expenses are deducted directly against the unitholders' funds.

3.12 Revenue

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Variable rentals are recognised as income in the accounting period in which they are earned and the amount can be measured reliably.

(ii) Hotel revenue

Revenue from hotel and resort operations is recognised when the accommodation and related services are rendered.

3.13 Expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss or the statement of total return (as the case may be) on a straight-line basis over the term of the lease.

(ii) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

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NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.13 Expenses (cont'd)****(ii) Employee benefits (cont'd)***Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Stapled Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.14 Finance income and finance costs

Finance income comprises interest income on funds invested, net foreign exchange gains and gains on hedging instruments that are recognised in profit or loss or the statement of total return (as the case may be). Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprises interest expense on borrowings, amortisation of debt-related transaction costs, unwinding of the discount on non-current rental deposits, net foreign exchange losses and losses on hedging instruments that are recognised in profit or loss or the statement of total return (as the case may be).

Interest income or all borrowing costs are recognised as it accrues, in profit or loss or the statement of total return (as the case may be), using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss or the statement of total return (as the case may be) except to the extent that it relates to a business combination, or items recognised directly in OCI or unitholders' funds.

The Stapled Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 / SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflect uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Stapled Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Stapled Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Stapled Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Stapled Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

H-REIT received a tax ruling from the Inland Revenue Authority of Singapore ("IRAS") and subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of H-REIT, H-REIT will not be taxed on the portion of taxable income of H-REIT that is distributed to holders of H-REIT units. Any portion of the taxable income that is not distributed to holders of H-REIT units will be taxed on H-REIT. In the event that there are subsequent adjustments to the taxable income when the actual taxable income of H-REIT is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the taxable income for the next distribution following the agreement with the IRAS.

Although H-REIT is not taxed on its taxable income distributed, the H-REIT Trustee and the H-REIT Manager are required to deduct income tax at the applicable corporate tax rate from distributions of such taxable income of H-REIT (i.e. which has not been taxed in the hands of the H-REIT Trustee) to certain holders of H-REIT units. The H-REIT Trustee and the H-REIT Manager will not deduct tax from distributions made out of H-REIT's taxable income to the extent that the beneficial holder of H-REIT units is:

- An individual (excluding a partnership in Singapore);
- A tax resident Singapore-incorporated company;
- A Singapore branch of a company incorporated outside Singapore;
- A body of persons (excluding partnerships) incorporated or registered in Singapore, including:
 - (i) a charity registered under the Charities Act (Cap 37) or established by any written law;
 - (ii) a town council;
 - (iii) a statutory board;
 - (iv) a co-operative society registered under the Co-operative Societies Act (Cap 62); and
 - (v) a trade union registered under the Trade Unions Act (Cap 333).
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap 145); and
- real estate investment trust exchange-traded funds which have been accorded the tax transparency treatment.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains which are considered as trading gains are assessable to tax on H-REIT. Where the gains are capital gains, H-REIT will not be assessed to tax and may distribute the capital gains without tax being deducted at source.

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NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.16 Levies**

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

3.17 Earnings per Stapled Security

The Stapled Group presents basic and diluted earnings per Stapled Security. Basic earnings per Stapled Security is calculated by dividing the total return attributable to Stapled Security Holders by the weighted average number of Stapled Securities outstanding during the year. Diluted earnings per Stapled Security is determined by adjusting the total return attributable to Stapled Security Holders and the weighted average number of Stapled Securities outstanding, adjusted for the effects of all dilutive potential Stapled Securities.

3.18 Segment reporting

An operating segment is a component of the HBT Group, the H-REIT Group and the Stapled Group that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the HBT Group, the H-REIT Group and the Stapled Group. All operating segments' operating results are reviewed regularly by the HBT Board or the H-REIT Board ("**Boards**") to make decisions about resources to be allocated to the segment and assess its performance, and is a component for which discrete financial information is available.

Segment results that are reported to the Boards include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income, finance costs and trust expenses.

Segment capital expenditure is the total cost incurred on investment properties and property, plant and equipment during the year.

3.19 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Stapled Group has not early adopted the new or amended standards and interpretations in preparing these financial statements. An explanation of the impact on adoption of these requirements is provided in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT PROPERTIES

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January	–	–	2,386,430	2,246,808	2,331,433	2,175,008
Acquisition of subsidiaries, including acquisition costs	–	–	66,670	169,323	66,670	169,323
Capital expenditure	–	–	32,775	14,768	14,282	13,251
Fair value changes	–	–	28,718	51,174	35,076	64,435
Reclassification to assets held for sale (Note 8)	–	–	–	(72,863)	–	(72,863)
Translation differences	–	–	(17,137)	(22,780)	(18,540)	(17,721)
At 31 December	–	–	2,497,456	2,386,430	2,428,921	2,331,433

Security

At 31 December 2018, an investment property of the Stapled Group with a carrying amount of \$180.4 million (2017: Nil) is pledged as security to secure a bank loan (Note 9).

Measurement of fair value

The carrying amounts of the investment properties as at 31 December 2018 were based on independent valuations undertaken by Knight Frank Pte Ltd for the Singapore properties, CIVAS Limited (trading as Colliers International) for the New Zealand property, CBRE Valuations Pty Limited for the Australian properties, CBRE Pte. Ltd. for the Maldives properties, CBRE GmbH for the German property, as at that date. The carrying amount of the Italian investment property as at 31 December 2018 was based on independent valuation undertaken by HVS – Global Hospitality Services as at 25 July 2018 for the purposes of acquiring the property. The H-REIT Manager is of the view that there is no significant change in the fair value of this property between the last valuation date and 31 December 2018. The carrying amounts of the investment properties as at 31 December 2017 were based on independent valuations undertaken by CBRE Pte. Ltd. for the Singapore and Maldives properties, CIVAS Limited (trading as Colliers International) for the New Zealand property, Jones Lang LaSalle Property Consultants Pte. Ltd. for the Australian properties and CBRE GmbH for the Germany property. The independent valuers have appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The valuations were based on the discounted cash flows and capitalisation methods, where appropriate. The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal yield and capitalisation rate. The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuation. In relying on the valuation reports, the H-REIT Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of market conditions prevailing at the end of the financial year.

Fair value hierarchy

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.4).

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NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)**Valuation techniques and significant unobservable inputs**

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	2018 Range	2017 Range
Singapore	Discounted cash flows and capitalisation methods	<u>Hotel</u>		
		Discount rate	7.00%	7.00% - 7.75%
		Terminal yield	4.75% - 5.50%	5.00% - 5.75%
		Capitalisation rate	4.50% - 5.25%	4.50% - 5.25%
		<u>Retail</u>		
		Discount rate	7.00%	7.50%
New Zealand	Discounted cash flows and capitalisation methods	Discount rate	9.50%	9.75%
		Terminal yield	7.50%	7.75%
		Capitalisation rate	7.50%	7.50%
Germany	Discounted cash flows method	<u>Hotel</u>		
		Discount rate	6.25% - 7.75%	5.90% - 8.00%
		Terminal yield	4.25% - 5.75%	4.50% - 6.00%
		<u>Retail and office</u>		
Australia	Discounted cash flows and capitalisation methods	Discount rate	6.25% - 8.00%	7.50% - 9.00%
		Terminal yield	5.00% - 6.75%	5.50% - 6.75%
		Capitalisation rate	5.00% - 6.00%	N.A.
Maldives	Discounted cash flows and capitalisation methods	Discount rate	10.00%	10.00%
		Terminal yield	8.00%	8.00%
		Capitalisation rate	7.50%	7.50%
Italy	Discounted cash flows method	Discount rate	7.40%	—
		Terminal yield	5.00%	—

N.A. - Not applicable

Inter-relationship between key unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair value measurement of investment properties are discount rate, terminal yield and capitalisation rate. An increase in discount rate, terminal yield and capitalisation rate in isolation would result in a lower fair value.

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT

	At valuation		At cost				
	Leasehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Furniture and fixtures \$'000	Office equipment \$'000	Capital work-in- progress \$'000	Total \$'000
HBT Group							
At valuation/cost							
At 1 January 2017	43,315	51,140	–	14,975	–	2,463	111,893
Acquisition of subsidiaries (Note 28)	35,073	49,531	3,866	5,761	182	14	94,427
Other additions	–	–	175	368	58	679	1,280
Disposal/Write-off	(29)	(5)	–	–	–	(9)	(43)
Transfers	–	–	106	80	46	(232)	–
Translation differences	332	388	(4)	124	1	24	865
Revaluation surplus recognised in OCI	2,332	5,359	–	–	–	–	7,691
Elimination of accumulated depreciation on revaluation	(1,097)	(3,163)	–	–	–	–	(4,260)
At 31 December 2017	79,926	103,250	4,143	21,308	287	2,939	211,853
At 1 January 2018	79,926	103,250	4,143	21,308	287	2,939	211,853
Additions	–	–	81	2,133	132	1,539	3,885
Transfers	71	–	197	3,577	481	(4,326)	–
Translation differences	(2,513)	(3,176)	(135)	(834)	(28)	(1)	(6,687)
Revaluation surplus recognised in OCI	2,706	2,550	–	–	–	–	5,256
Elimination of accumulated depreciation on revaluation	(727)	(2,118)	–	–	–	–	(2,845)
At 31 December 2018	79,463	100,506	4,286	26,184	872	151	211,462
Accumulated depreciation							
At 1 January 2017	471	1,432	–	2,558	–	–	4,461
Depreciation	626	1,731	288	2,678	91	–	5,414
Translation differences	–	–	2	43	1	–	46
Elimination of accumulated depreciation on revaluation	(1,097)	(3,163)	–	–	–	–	(4,260)
At 31 December 2017	–	–	290	5,279	92	–	5,661
At 1 January 2018	–	–	290	5,279	92	–	5,661
Depreciation	727	2,118	449	3,172	158	–	6,624
Translation differences	–	–	(23)	(263)	(8)	–	(294)
Elimination of accumulated depreciation on revaluation	(727)	(2,118)	–	–	–	–	(2,845)
At 31 December 2018	–	–	716	8,188	242	–	9,146
Carrying amounts							
At 1 January 2017	42,844	49,708	–	12,417	–	2,463	107,432
At 31 December 2017	79,926	103,250	3,853	16,029	195	2,939	206,192
At 31 December 2018	79,463	100,506	3,570	17,996	630	151	202,316

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NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation		At cost			
	Freehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Motor vehicles and boats \$'000	Furniture and fixtures \$'000	Total \$'000
H-REIT Group						
At valuation/cost						
At 1 January 2017	37,943	29,632	6,414	1,193	150	75,332
Additions	–	53	139	49	121	362
Translation differences	(1,582)	(1,432)	(260)	(92)	(10)	(3,376)
Revaluation surplus recognised in unitholders' funds	3,012	9,179	–	–	–	12,191
Revaluation deficit recognised in statement of total return	(955)	–	–	–	–	(955)
Elimination of accumulated depreciation on revaluation	–	(2,934)	–	–	–	(2,934)
At 31 December 2017	38,418	34,498	6,293	1,150	261	80,620
At 1 January 2018	38,418	34,498	6,293	1,150	261	80,620
Additions	–	–	112	129	234	475
Disposal/Write-off	–	–	–	(8)	–	(8)
Translation differences	2,036	1,457	300	28	16	3,837
Revaluation surplus/(deficit) recognised in unitholders' funds	11,845	(8,613)	–	–	–	3,232
Reversal of revaluation deficit /(Revaluation deficit) recognised in statement of total return	948	(238)	–	–	–	710
Elimination of accumulated depreciation on revaluation	–	(1,192)	–	–	–	(1,192)
At 31 December 2018	53,247	25,912	6,705	1,299	511	87,674
Accumulated depreciation						
At 1 January 2017	–	1,768	1,282	297	38	3,385
Depreciation	–	1,166	635	234	58	2,093
Translation differences	–	–	(74)	(29)	(4)	(107)
Elimination of accumulated depreciation on revaluation	–	(2,934)	–	–	–	(2,934)
At 31 December 2017	–	–	1,843	502	92	2,437
At 1 January 2018	–	–	1,843	502	92	2,437
Depreciation	–	1,192	645	241	48	2,126
Disposal/Write-off	–	–	–	(1)	–	(1)
Translation differences	–	–	98	15	5	118
Elimination of accumulated depreciation on revaluation	–	(1,192)	–	–	–	(1,192)
At 31 December 2018	–	–	2,586	757	145	3,488
Carrying amounts						
At 1 January 2017	37,943	27,864	5,132	896	112	71,947
At 31 December 2017	38,418	34,498	4,450	648	169	78,183
At 31 December 2018	53,247	25,912	4,119	542	366	84,186

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation			At cost					
	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Furniture and fixtures \$'000	Motor vehicles and boats \$'000	Office equipment \$'000	Capital work-in-progress \$'000	Total \$'000
Stapled Group									
At valuation/cost									
At 1 January 2017	37,943	43,315	155,197	10,266	18,368	1,431	1,303	2,963	270,786
Acquisition of subsidiaries (Note 28)	–	35,073	49,531	3,866	5,761	–	182	14	94,427
Other additions	–	–	958	675	593	49	848	202	3,325
Disposal/Write-off	–	(29)	(13)	–	(86)	–	(72)	(9)	(209)
Transfers	–	–	–	106	80	–	46	(232)	–
Revaluation surplus recognised in unitholders' funds	3,012	2,332	14,538	–	–	–	–	–	19,882
Revaluation deficit recognised in statement of total return	(955)	–	(10,835)	–	–	–	–	–	(11,790)
Translation differences	(1,582)	332	(5,175)	(564)	(136)	(104)	(118)	1	(7,346)
Elimination of accumulated depreciation on revaluation	–	(1,097)	(22,803)	–	–	–	–	–	(23,900)
At 31 December 2017	38,418	79,926	181,398	14,349	24,580	1,376	2,189	2,939	345,175
At 1 January 2018	38,418	79,926	181,398	14,349	24,580	1,376	2,189	2,939	345,175
Additions	–	–	–	230	2,368	140	150	19,980	22,868
Disposal/Write-off	–	–	(15)	–	–	(8)	–	–	(23)
Transfers	–	71	–	197	3,577	–	481	(4,326)	–
Revaluation surplus recognised in unitholders' funds	11,845	2,706	(6,063)	–	–	–	–	–	8,488
Reversal of revaluation deficit/ (Revaluation deficit) recognised in statement of total return	948	–	(3,971)	–	–	–	–	–	(3,023)
Translation differences	2,036	(2,513)	(851)	250	(754)	32	13	307	(1,480)
Elimination of accumulated depreciation on revaluation	–	(727)	(4,718)	–	–	–	–	–	(5,445)
At 31 December 2018	53,247	79,463	165,780	15,026	29,771	1,540	2,833	18,900	366,560

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NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation			At cost					
	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Furniture and fixtures \$'000	Motor vehicles and boats \$'000	Office equipment \$'000	Capital work-in- progress \$'000	Total \$'000
Stapled Group									
Accumulated depreciation and impairment losses									
At 1 January 2017	–	471	18,213	2,791	3,935	422	593	–	26,425
Depreciation	–	626	4,592	1,275	3,174	281	438	–	10,386
Disposal/Write-off	–	–	(2)	–	(7)	–	(24)	–	(33)
Reversal of impairment loss	–	–	–	(5)	–	–	–	–	(5)
Translation differences	–	–	–	(195)	(75)	(41)	(53)	–	(364)
Elimination of accumulated depreciation on revaluation	–	(1,097)	(22,803)	–	–	–	–	–	(23,900)
At 31 December 2017	–	–	–	3,866	7,027	662	954	–	12,509
At 1 January 2018	–	–	–	3,866	7,027	662	954	–	12,509
Depreciation	–	727	4,718	1,462	3,652	287	529	–	11,375
Disposal/Write-off	–	–	–	–	–	(1)	–	–	(1)
Translation differences	–	–	–	119	(215)	18	17	–	(61)
Elimination of accumulated depreciation on revaluation	–	(727)	(4,718)	–	–	–	–	–	(5,445)
At 31 December 2018	–	–	–	5,447	10,464	966	1,500	–	18,377
Carrying amounts									
At 1 January 2017	37,943	42,844	136,984	7,475	14,433	1,009	710	2,963	244,361
At 31 December 2017	38,418	79,926	181,398	10,483	17,553	714	1,235	2,939	332,666
At 31 December 2018	53,247	79,463	165,780	9,579	19,307	574	1,333	18,900	348,183

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense is included in "depreciation, amortisation and impairment losses" in profit or loss or the statement of total return (as the case may be).

For each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model is as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Freehold land						
Cost and carrying amount	–	–	38,158	36,436	35,158	36,436
Leasehold land						
Cost	76,273	78,682	–	–	76,273	78,682
Accumulated depreciation	(1,383)	(1,089)	–	–	(1,383)	(1,089)
Carrying value	74,890	77,593	–	–	74,890	77,593
Buildings						
Cost	97,943	101,037	29,853	28,506	199,002	199,242
Accumulated depreciation	(669)	(3,234)	(3,533)	(2,535)	(35,473)	(31,386)
Carrying value	97,274	97,803	26,320	25,971	163,529	167,856

Measurement of fair value

The carrying amounts of the properties as at 31 December 2018 were based on independent valuations undertaken by Cushman & Wakefield K.K. for the Japan properties, Cushman & Wakefield Debenham Tie Leung Limited for the United Kingdom properties and CBRE Pte. Ltd. for the Maldives property. The carrying amounts of the properties as at 31 December 2017 were based on independent valuations undertaken by International Appraisals Inc. for the Japan properties, Knight Frank LLP for the United Kingdom properties and CBRE Pte. Ltd. for the Maldives property. The independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The valuations were based on the discounted cash flows, capitalisation and direct comparison methods, where appropriate. The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal yield, capitalisation rate and price per room. The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuation. In relying on the valuation reports, the H-REIT Manager and HBT Trustee-Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of market conditions prevailing at the end of the financial year.

Fair value hierarchy

The fair value measurement for property, plant and equipment has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.4).

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NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**Measurement of fair value (cont'd)****Valuation techniques and significant unobservable inputs**

The following table shows the valuation techniques used in measuring the fair value of property, plant and equipment, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	2018 Range	2017 Range
Japan	Discounted cash flows, capitalisation and direct comparison methods	Discount rate Terminal yield Capitalisation rate Price per room	4.20% - 4.50% 4.50% - 4.80% 4.40% - 4.70% N.A.	4.90% - 5.10% 5.10% - 5.30% 4.90% - 5.10% JPY23,629,300 - JPY27,352,500
United Kingdom	Discounted cash flows method	Discount rate Terminal yield	8.00% - 8.25% 6.00% - 6.25%	8.25% - 8.75% 6.25%
Maldives	Discounted cash flows and capitalisation methods	Discount rate Terminal yield Capitalisation rate	10.00% 8.00% 7.50%	10.00% 8.00% 7.50%

N.A. - Not applicable

Inter-relationship between key unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair value measurement of properties are discount rate, terminal yield, capitalisation rate and price per room. An increase in discount rate, terminal yield and capitalisation rate in isolation would result in a lower fair value. An increase in price per room in isolation would result in a higher fair value.

NOTES TO THE FINANCIAL STATEMENTS

6 TRADE AND OTHER RECEIVABLES

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables:						
- related corporations	–	–	7,146	6,984	7,146	6,984
- related entities	–	–	12,397	4,836	–	–
- third parties	3,329	3,242	3,579	2,949	6,908	5,529
	3,329	3,242	23,122	14,769	14,054	12,513
Impairment loss	(411)	(356)	–	(109)	(411)	(465)
Net trade receivables	2,918	2,886	23,122	14,660	13,643	12,048
Other receivables:						
- related corporations	–	–	10,221	67	10,221	67
- related entities	5,602	3,597	205	15	–	–
- third parties	1,788	626	5,418	4,690	7,206	5,978
	7,390	4,223	15,844	4,772	17,427	6,045
Rental deposits	4	3	149	149	153	152
	10,312	7,112	39,115	19,581	31,223	18,245
Prepayments	929	1,185	825	1,477	1,754	2,662
	11,241	8,297	39,940	21,058	32,977	20,907
Non-current	–	–	149	149	149	149
Current	11,241	8,297	39,791	20,909	32,828	20,758
	11,241	8,297	39,940	21,058	32,977	20,907

Related corporations refers to related corporations of the H-REIT Manager and HBT Trustee-Manager. Related entities refers to H-REIT and its subsidiaries or HBT and its subsidiaries (as the case may be).

The H-REIT Group's properties, except Claymore Connect, are leased to 12 (2017: 11) master lessees. The exposure of the HBT Group, H-REIT Group and Stapled Group to credit risk and impairment losses for trade receivables is disclosed in Note 24.

Other receivables from related corporations and related entities are unsecured, interest-free and repayable on demand. There is no impairment loss arising from these outstanding balances as the ECL is negligible.

7 CASH AND CASH EQUIVALENTS

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	12,506	17,278	46,715	41,723	59,221	59,001
Fixed deposits with financial institutions	–	–	80,362	36,868	80,362	36,868
Cash and cash equivalents in the statement of financial position	12,506	17,278	127,077	78,591	139,583	95,869
Restricted cash – cash reserved by a trust bank in Japan	–	–	(1,337)	(1,221)	(1,337)	(1,221)
Cash and cash equivalents in the statement of cash flows	12,506	17,278	125,740	77,370	138,246	94,648

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NOTES TO THE FINANCIAL STATEMENTS

8 ASSETS HELD FOR SALE

On 22 December 2017, the H-REIT Group had entered into a sale and purchase agreement to sell Mercure Brisbane and Ibis Brisbane. Accordingly, these investment properties with a total carrying value of \$72.9 million have been classified as assets held for sale in the statement of financial position as at 31 December 2017. The sale of the properties was completed in January 2018.

9 LOANS AND BORROWINGS

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At amortised cost:						
Non-current						
Secured TMK bond	–	–	38,222	36,362	38,222	36,362
Secured bank loan	–	–	68,532	–	68,532	–
Unsecured bank loans	93,418	96,264	562,521	511,357	655,939	607,621
	93,418	96,264	669,275	547,719	762,693	643,983
Current						
Unsecured medium term notes	–	–	–	119,984	–	119,984
Unsecured bank loans	–	–	248,675	166,243	248,675	166,243
	–	–	248,675	286,227	248,675	286,227
	93,418	96,264	917,950	833,946	1,011,368	930,210

Secured TMK bond

The TMK bond included in the H-REIT Group relates to a 5-year Japanese Yen denominated bond of \$38.5 million (JPY3.1 billion) (2017: \$36.7 million (JPY3.1 billion)) issued by H-REIT's indirectly-owned subsidiary, CDLHT Hanei Tokutei Mokuteki Kaisha. H-REIT's interest in its Japan hotels is held via a Tokutei Mokuteki Kaisha ("**TMK**") structure, and such TMK structure is required to issue a bond to fund the acquisition of assets.

The bondholders have a statutory preferred right, under Article 128 of the Japan Asset Liquidation Law, to receive payment of all obligations under the bond prior to other creditors out of the assets of the TMK. Such right shall be junior to the priority of the general statutory lien under the Japan Civil Code. While the assets of TMK are subject to a statutory preferred right, it is not considered a mortgage under Japan laws.

Secured bank loan

The secured bank loan relates to a 7-year fixed term loan of \$68.7 million (EUR44.0 million) drawn down by H-REIT's indirectly-owned subsidiary, NKS Hospitality I B.V. ("**NKS**").

As at the end of the financial year, an investment property, Pullman Hotel Munich, with carrying value of \$180.4 million (EUR115.5 million), and certain bank accounts in NKS, together with the Stapled Group's shares in NKS, representing a 94.9% equity interest in NKS, are pledged as security for bank facilities granted to NKS.

Unsecured medium term notes

H-REIT's wholly-owned subsidiary, CDLHT MTN Pte. Ltd., has in place a \$1.0 billion Multi-currency Medium Term Note Programme (the "**Programme**"). As at 31 December 2017, a \$120.0 million 5-year fixed rate medium term note has been issued by this subsidiary. As at 31 December 2018, there was no outstanding notes.

NOTES TO THE FINANCIAL STATEMENTS

9 LOANS AND BORROWINGS (CONT'D)

Unsecured bank loans

As at the end of the financial year, the Stapled Group has the following facilities:

Facilities partially drawn down or available for utilisation

- (i) \$250.0 million (2017: \$250.0 million) committed bilateral multi-currency unsecured revolving credit facility from two banks (comprising \$150.0 million for a 3-year term and another \$100.0 million for a 3.25-year term). As at the reporting date, \$136.3 million, comprising \$118.5 million and \$17.8 million (US\$13.0 million) (2017: \$112.4 million, comprising \$109.7 million and \$2.7 million (US\$2.0 million)) has been drawn down under this facility and \$113.7 million (2017: \$137.6 million) of the facilities remained unutilised.
- (ii) \$500.0 million (2017: \$500.0 million) uncommitted multi-currency unsecured bridge loan facility ("**Bridge Loan Facility**") with a bank, with a maximum repayment period of one year. At the end of the financial year, \$53.4 million (2017: \$66.5 million) has been drawn down under this facility and \$446.6 million (2017: \$433.5 million) remained unutilised.

Facilities fully drawn down

- (i) \$190.0 million (2017: \$70.0 million) fixed rate term loan facility;
- (ii) \$83.6 million (2017: \$83.6 million) floating rate term loan facility;
- (iii) \$89.1 million (US\$65.0 million) (2017: \$87.2 million (US\$65.0 million)) fixed rate term loan facility;
- (iv) \$104.4 million (US\$76.2 million) (2017: \$102.2 million (US\$76.2 million)) floating rate term loan facility;
- (v) \$40.6 million (JPY3.3 billion) (2017: \$38.7 million (JPY3.3 billion)) fixed rate term loan facility;
- (vi) \$115.8 million (£66.5 million) (2017: \$216.4 million (£120.5 million)) floating rate term loan facility; and
- (vii) \$94.0 million (£54.0 million) (2017: nil) fixed rate term loan facility.

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NOTES TO THE FINANCIAL STATEMENTS

9 LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
As at 31 December 2018				
<u>HBT Group</u>				
Unsecured bank loans GBP	2.74	2022	94,019	93,418
<u>H-REIT Group</u>				
Secured TMK bond JPY	0.66	2020	38,471	38,222
Secured bank loan EUR	1.72	2025	68,737	68,532
Unsecured bank loans				
SGD	2.59 to 3.16	2019 to 2023	392,100	391,256
USD	0.65 to 3.77	2019 to 2022	211,307	210,585
JPY	1.06	2020	40,581	40,509
GBP	2.05	2021	115,784	115,431
EUR	0.60	2019	53,415	53,415
			920,395	917,950
			1,014,414	1,011,368
As at 31 December 2017				
<u>HBT Group</u>				
Unsecured bank loans GBP	2.74	2022	96,989	96,264
<u>H-REIT Group</u>				
Secured TMK bond JPY	0.66	2020	36,735	36,362
Unsecured bank loans				
SGD	2.06 to 2.99	2018 to 2021	263,299	262,502
USD	0.65 to 2.60	2019 to 2022	192,035	191,028
JPY	1.06	2020	38,750	38,635
GBP	1.77	2021	119,441	118,954
EUR	0.60	2018	66,481	66,481
Unsecured medium term notes				
SGD	2.5	2018	120,000	119,984
			836,741	833,946
			933,730	930,210

NOTES TO THE FINANCIAL STATEMENTS

9 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities					
	HBT Group		H-REIT Group		Stapled Group	
	Loans and borrowings	Other payables	Loans and borrowings	Other payables	Loans and borrowings	Other payables
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018	96,264	204	833,946	1,625	930,210	1,829
Changes from financing cash flows						
Proceeds from bank loans	–	–	268,646	–	268,646	–
Repayment of bank loans	–	–	(205,420)	–	(205,420)	–
Payment of transaction costs related to borrowings	(29)	–	(881)	–	(910)	–
Finance costs paid	–	(2,689)	–	(15,438)	–	(18,127)
Total changes from financing cash flows	(29)	(2,689)	62,345	(15,438)	62,316	(18,127)
Effect of changes in foreign exchange rates	(2,971)	(9)	3,310	(2,918)	339	(2,927)
Other changes						
Liability-related						
Acquisition of subsidiary	–	–	17,107	374	17,107	374
Amortisation of transaction costs	154	–	1,242	–	1,396	–
Interest expense	–	2,692	–	18,024	–	20,716
Total liability-related other changes	154	2,692	18,349	18,398	18,503	21,090
Balance as at 31 December 2018	93,418	198	917,950	1,667	1,011,368	1,865

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NOTES TO THE FINANCIAL STATEMENTS

9 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

	Liabilities					
	HBT Group		H-REIT Group		Stapled Group	
	Loans and borrowings	Other payables	Loans and borrowings	Other payables	Loans and borrowings	Other payables
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	–	117,831	928,849	1,925	928,849	1,925
Changes from financing cash flows						
Movements in related party balances	–	(115,998)	–	–	–	–
Proceeds from bank loans	190,186	–	262,556	–	452,742	–
Repayment of bank loans	(94,446)	–	(343,612)	–	(438,058)	–
Payment of transaction costs related to borrowings	(745)	–	(823)	–	(1,568)	–
Finance costs paid	–	(3,123)	–	(15,190)	–	(15,805)
Total changes from financing cash flows	94,995	(119,121)	(81,879)	(15,190)	13,116	(15,805)
Effect of changes in foreign exchange rates	1,250	(1,059)	(14,623)	(4,994)	(13,373)	(4,993)
Other changes						
Liability-related						
Amortisation of transaction costs	19	–	1,599	–	1,618	–
Interest expense	–	2,553	–	19,884	–	20,702
Total liability-related other changes	19	2,553	1,599	19,884	1,618	20,702
Balance as at 31 December 2017	96,264	204	833,946	1,625	930,210	1,829

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL DERIVATIVES

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current asset						
Cross-currency interest rate swap	–	–	3,960	–	3,960	–
Current assets						
Forward exchange contracts	70	7	124	245	195	252
Current liabilities						
Forward exchange contracts	–	14	37	–	37	14
Cross-currency interest rate swap	–	–	–	262	–	262
	–	14	37	262	37	276

Forward exchange contracts

The HBT Group and the H-REIT Group use forward foreign exchange contracts to manage their exposure to foreign currencies.

As at 31 December 2018, the HBT Group, the H-REIT Group and the Stapled Group had forward foreign exchange contracts with a total notional amount of \$1.9 million, \$8.5 million and \$10.4 million (2017: \$2.8 million, \$7.2 million and \$10.0 million) respectively.

Cross-currency interest rate swap

The H-REIT Group uses cross-currency interest rate swap to manage its exposure to both foreign currency and interest rate risks.

As at 31 December 2018, the H-REIT Group and the Stapled Group had a cross-currency interest rate swap with a notional amount of \$104.4 million (2017: \$102.2 million) to swap US\$76.2 million at floating rate to EUR 64.0 million at fixed rate.

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NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER PAYABLES

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables:						
- related corporations	–	–	9	533	9	533
- the H-REIT Manager	–	–	294	286	294	286
- related entities	12,397	4,836	–	–	–	–
- third parties	991	1,432	598	1,859	1,589	3,291
	13,388	6,268	901	2,678	1,892	4,110
Other payables:						
- related corporations	–	–	14	56	14	56
- the H-REIT Manager	7	7	809	124	816	131
- the HBT Trustee-Manager	186	292	–	–	186	292
- related entities	206	15	5,766	7,467	164	3,870
- third parties	3,456	2,347	8,676	11,699	12,132	14,046
	3,855	2,661	15,265	19,346	13,312	18,395
Accruals	4,033	5,457	17,468	10,198	21,501	15,655
Rental deposits:						
- related corporations	–	–	9,530	9,397	9,530	9,397
- third parties	–	–	553	254	553	254
Interest payable	198	204	1,667	1,625	1,865	1,829
Deferred income	3,337	1,685	11	12	3,348	1,697
	24,811	16,275	45,395	43,510	52,001	51,337
Non-current	–	–	10,243	9,397	10,243	9,397
Current	24,811	16,275	35,152	34,113	41,758	41,940
	24,811	16,275	45,395	43,510	52,001	51,337

Related corporations refers to related corporations of the H-REIT Manager and the HBT Trustee-Manager. Related entities refers to H-REIT and its subsidiaries or HBT and its subsidiaries (as the case may be).

Outstanding payables to the related corporations, related entities, the H-REIT Manager and the HBT Trustee-Manager are unsecured, interest-free and repayable on demand.

As at 31 December 2017, included in payables to third parties of the H-REIT Group, the HBT Group and the Stapled Group was an amount of \$2.98 million relating to the remaining purchase consideration estimated to be payable for the acquisition of subsidiaries.

Included in accruals of the H-REIT Group and the Stapled Group are the following:

- amounts payable to the H-REIT Trustee and the H-REIT Manager of \$64,000 (2017: \$70,000) and \$1,384,000 (2017: \$1,511,000) respectively; and
- amounts payable to related corporations of \$112,000 (2017: \$168,000).

NOTES TO THE FINANCIAL STATEMENTS

12 DEFERRED TAX

Movement in temporary differences (prior to offsetting of balances) during the year are as follows:

	Balance as at 1/1/2017	Acquisition of subsidiary (Note 28)	Recognised in profit or loss (Note 20)	Recognised in other comprehensive income	Exchange differences	Balance as at 31/12/2017	Recognised in profit or loss (Note 20)	Recognised in other comprehensive income	Exchange differences	Balance as at 31/12/2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

HBT Group

Deferred tax assets

Tax losses carried forward	–	(2,141)	–	–	2	(2,139)	1,347	–	39	(753)
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Deferred tax liabilities

Property, plant and equipment	6,213	9,016	(357)	705	43	15,620	(444)	1,471	(527)	16,120
	6,213	6,875	(357)	705	45	13,481	903	1,471	(488)	15,367

	Balance as at 1/1/2017	Acquisition of subsidiary (Note 28)	Recognised in statement of total return (Note 20)	Recognised in statement of unitholders' funds	Exchange differences	Balance as at 31/12/2017	Recognised in statement of total return (Note 20)	Recognised in statement of unitholders' funds	Exchange differences	Balance as at 31/12/2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

H-REIT Group

Deferred tax assets

Tax losses carried forward	(5,248)	(633)	(392)	–	19	(6,254)	3,964	1,372	312	(606)
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Deferred tax liabilities

Investment properties	14,150	340	7,497	–	(166)	21,821	687	(7,958)	(948)	13,602
Property, plant and equipment	–	–	–	2,019	(112)	1,907	–	665	88	2,660
	14,150	340	7,497	2,019	(278)	23,728	687	(7,293)	(860)	16,262
	8,902	(293)	7,105	2,019	(259)	17,474	4,651	(5,921)	(548)	15,656

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NOTES TO THE FINANCIAL STATEMENTS

12 DEFERRED TAX (CONT'D)

	Balance as at 1/1/2017 \$'000	Acquisition of subsidiary (Note 28) \$'000	Recognised in statement of total return (Note 20) \$'000	Recognised in statement of unitholders' funds \$'000	Exchange differences \$'000	Balance as at 31/12/2017 \$'000	Recognised in statement of total return (Note 20) \$'000	Recognised in statement of unitholders' funds \$'000	Exchange differences \$'000	Balance as at 31/12/2018 \$'000
Stapled Group										
Deferred tax assets										
Tax losses carried forward	(5,248)	(2,774)	(392)	–	21	(8,393)	5,311	1,372	351	(1,359)
Deferred tax liabilities										
Investment properties	14,150	340	7,497	–	(166)	21,821	687	(7,958)	(948)	13,602
Property, plant and equipment	6,213	9,016	(357)	2,724	(69)	17,527	(444)	2,136	(439)	18,780
	20,363	9,356	7,140	2,724	(235)	39,348	243	(5,822)	(1,387)	32,382
	15,115	6,582	6,748	2,724	(214)	30,955	5,554	(4,450)	(1,036)	31,023

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	–	–	606	297	606	297
Deferred tax liabilities	(15,367)	(13,481)	(16,262)	(17,771)	(31,629)	(31,252)
	(15,367)	(13,481)	(15,656)	(17,474)	(31,023)	(30,955)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the H-REIT Group and the Stapled Group can utilise the benefits therefrom.

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Tax losses	–	–	34,403	19,103	34,403	19,103

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

NOTES TO THE FINANCIAL STATEMENTS

13 NON-CONTROLLING INTERESTS

2018

On 27 November 2018, the H-REIT Group acquired 95.0% of the shares and voting interests in Event Hospitality Group III B.V., which wholly-owns Event Hospitality Group III Italy SRL, sole shareholder of NKS Hospitality III SRL. The entities became subsidiaries from that date (see Note 28). Accordingly, the information relating to Event Hospitality Group III B.V. is only for the period from 27 November 2018 to 31 December 2018.

2017

On 14 July 2017, the H-REIT Group acquired 94.9% of the shares and voting interests in NKS Hospitality I B.V. and Munich Furniture B.V. respectively. The entities became subsidiaries from that date (see Note 28). Accordingly, the information relating to NKS Hospitality I B.V. and Munich Furniture B.V. in 2017 is only for the period from 14 July 2017 to 31 December 2017.

The following subsidiaries have non-controlling interest.

Name	Principal places of business/Country of incorporation	Operating Segment	Ownership interests held by NCI	
			2018 %	2017 %
NKS Hospitality I B.V.	Netherlands	Germany	5.1	5.1
Munich Furniture B.V.	Netherlands	Germany	5.1	5.1
Event Hospitality Group III B.V.	Netherlands	Italy	5.0	–

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NOTES TO THE FINANCIAL STATEMENTS

13 NON-CONTROLLING INTERESTS (CONT'D)

The following summarised financial information for the above subsidiaries are prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Stapled Group's accounting policies.

	H-REIT Group and Stapled Group			
	Event Hospitality Group III B.V. \$'000	NKS Hospitality I B.V. \$'000	Munich Furniture B.V. \$'000	Total \$'000
2018				
Revenue	207	9,791	1,116	11,114
Profit and total comprehensive income	(487)	4,759	(23)	4,249
Attributable to NCI:				
- Profit and total comprehensive income	(24)	242	(1)	217
Non-current assets	68,398	154,535	6,961	229,894
Current assets	1,683	5,378	1,258	8,319
Non-current liabilities	(14,263)	(68,532)	–	(82,795)
Current liabilities	(1,141)	(2,629)	(395)	(4,165)
Net assets	54,677	88,752	7,824	151,253
Net assets attributable to NCI	2,734	4,526	399	7,659
Cash flows from operating activities	173,585	392,098	32,377	
Cash flows from investing activities	(480)	–	(13,552)	
Cash flows from financing activities	(369,911)	(598,724)	–	
Net (decrease)/increase in cash and cash equivalents	(196,806)	(206,626)	18,825	

	H-REIT Group and Stapled Group		
	NKS Hospitality I B.V. \$'000	Munich Furniture B.V. \$'000	Total \$'000
2017			
Revenue	4,965	503	5,468
Profit and total comprehensive income	2,038	38	2,076
Attributable to NCI:			
- Profit and total comprehensive income	104	2	106
Non-current assets	159,480	7,658	167,138
Current assets	8,656	881	9,537
Non-current liabilities	(346)	–	(346)
Current liabilities	(78,084)	(411)	(78,495)
Net assets	89,706	8,128	97,834
Net assets attributable to NCI	4,575	415	4,990
Cash flows from operating activities	209	24	
Cash flows from investing activities	–	(3)	
Net increase in cash and cash equivalents	209	21	

NOTES TO THE FINANCIAL STATEMENTS

14 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	'000	'000	'000	'000	'000	'000
Units/Stapled Securities in issue:						
At 1 January	1,198,823	991,771	1,198,823	991,771	1,198,823	991,771
Creation of Units/Stapled Securities:						
- H-REIT Manager's management fee paid in Stapled Securities	6,540	7,220	6,540	7,220	6,540	7,220
- HBT Manager's management fee paid in Stapled Securities	102	286	102	286	102	286
- Rights issue	–	199,546	–	199,546	–	199,546
At 31 December	1,205,465	1,198,823	1,205,465	1,198,823	1,205,465	1,198,823

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	'000	'000	'000	'000	'000	'000
Units/Stapled Securities to be issued:						
H-REIT Manager's management fees payable in Stapled Securities	4,309	4,128	4,309	4,128	4,309	4,128
HBT Trustee-Manager's management fees payable in Stapled Securities	114	–	114	–	114	–
At 31 December	4,423	4,128	4,423	4,128	4,423	4,128
Units/Stapled Securities, in issue and to be issued	1,209,888	1,202,951	1,209,888	1,202,951	1,209,888	1,202,951

Financial year ended 31 December 2018

- (i) During the financial year, the following Stapled Securities were issued:
- 6,540,031 Stapled Securities at unit prices ranging from \$1.5682 to \$1.6872 per Stapled Security, amounting to \$10,784,621, were issued as satisfaction of the H-REIT Manager's management fees payable in units;
 - 102,663 Stapled Securities at unit prices ranging from \$1.5682 to \$1.5927 per Stapled Security, amounting to \$161,742, were issued as satisfaction of the HBT Trustee-Manager's management fees payable in units; and
- (ii) 4,309,084 Stapled Securities at a unit price of \$1.4866 per Stapled Security, amounting to \$6,405,886, will be issued subsequent to year end as satisfaction of the H-REIT Manager's base fee for the period from 1 October 2018 to 31 December 2018 and performance fee for the financial year ended 31 December 2018.
- (iii) 113,707 Stapled Securities at a unit price of \$1.4866 per Stapled Security, amounting to \$169,040, will be issued subsequent to year end as satisfaction of the HBT Trustee-Manager's base fee for the period from 1 October 2018 to 31 December 2018 and performance fee for the financial year ended 31 December 2018.

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NOTES TO THE FINANCIAL STATEMENTS

14 UNITS/STAPLED SECURITIES IN ISSUE (CONT'D)

Financial year ended 31 December 2017

- (i) During the financial year, the following Stapled Securities were issued:
- 7,219,635 Stapled Securities at unit prices ranging from \$1.3157 to \$1.6019 per Stapled Security, amounting to \$10,004,342 were issued as satisfaction of the H-REIT Manager's management fees payable in units;
 - 286,250 Stapled Securities at unit prices ranging from \$1.3157 to \$1.4022 per Stapled Security, amounting to \$378,361, were issued as satisfaction of the HBT Trustee-Manager's management fees payable in units; and
 - 199,545,741 Stapled Securities were issued at \$1.280 per Stapled Security, amounting to \$255,418,548 for cash as part of the rights issue undertaken by the Stapled Group in July 2017 ("**Rights Issue**").
- (ii) 4,128,433 Stapled Securities at a unit price of \$1.6694 per Stapled Security, amounting to \$6,892,007, will be issued subsequent to year end as satisfaction of the H-REIT Manager's base fee for the period from 1 October 2017 to 31 December 2017 and performance fee for the financial year ended 31 December 2017.

Each H-REIT unit is stapled together with a HBT unit under the terms of a stapling deed dated 12 June 2006 entered into between the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in H-REIT and HBT.

A holder of the Stapled Security has no equitable or proprietary interest in the underlying assets of the Stapled Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of the Stapled Group.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each HBT unit and H-REIT unit carry the same voting rights.

Capital management

The Boards of the H-REIT Manager and the HBT Trustee-Manager have a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of unitholders' funds. The Boards monitor the yield of the property portfolio, which is defined as net property income from the property divided by the latest valuation for the property. The Boards also monitor the level of distributions made to holders of Stapled Securities.

The Boards seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

H-REIT is subject to the aggregate leverage limit as defined in the Property Funds Appendix of the CIS Code issued by the MAS. The CIS Code stipulates that the total borrowings and deferred payments (together the "**Aggregate Leverage**") of a property fund should not exceed 45.0% under a single-tier leverage limit.

For this financial year, H-REIT has a credit rating of BBB- (2017: BBB-) from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2018 was 34.2% (2017: 32.6%) of H-REIT Group's Deposited Property. This complied with the aggregate leverage limit as described above.

The HBT Group, the H-REIT Group and the Stapled Group are in compliance with the borrowing limit requirements imposed by the relevant Trust Deeds for the financial year ended 31 December 2018 and 2017. There were no substantial changes in the HBT Group's, the H-REIT Group's and the Stapled Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

15 NET ASSET VALUE PER UNIT/STAPLED SECURITY

Note	HBT Group		H-REIT Group		Stapled Group	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Net asset value per Unit/ Stapled Security is based on:						
Net assets attributable to holders of Stapled Securities	92,853	106,380	1,754,809	1,733,892	1,847,663	1,840,273
	'000	'000	'000	'000	'000	'000
Total issued and to be issued Units/Stapled Securities at 31 December	14 1,209,888	1,202,951	1,209,888	1,202,951	1,209,888	1,202,951

16 REVENUE

	HBT Group		H-REIT Group		Stapled Group	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Rental revenue						
- Fixed rent	–	–	70,687	70,630	70,687	70,630
- Variable rent	–	–	81,605	81,905	72,446	72,856
Hotel revenue	58,670	60,829	–	–	58,670	60,829
	58,670	60,829	152,292	152,535	201,803	204,315

Rental revenue

Rental revenue for the H-REIT Group includes rental income from the HBT Group and related corporations of the H-REIT Manager of \$9,158,000 (2017: \$9,048,000) and \$84,860,000 (2017: \$87,240,000), respectively.

Under the terms of the master lease agreements for the properties, the H-REIT Group is generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue and/or gross operating profit.

Hotel revenue

Hotel revenue is disaggregated by primary geographical markets in Maldives, Japan and UK, which are the reportable segments of the HBT Group. Hotel revenue is recognised at a point in time when accommodation and related services are rendered.

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NOTES TO THE FINANCIAL STATEMENTS

17 MANAGEMENT FEES

H-REIT Manager's fees

Included in the H-REIT Manager's fees is an aggregate of 6,720,682 (2017: 6,519,235) Stapled Securities, amounting to approximately \$10,298,500 (2017: \$10,543,000), that have been or will be issued to the H-REIT Manager as satisfaction of the H-REIT Manager's management fees payable in Stapled Securities, at unit prices ranging from \$1.4866 to \$1.6872 (2017: \$1.4022 to \$1.6694) per Stapled Security.

HBT Trustee-Manager's fees

Included in the HBT Trustee-Manager's fees is an aggregate of 216,370 (2017: 20,124) Stapled Securities, amounting to approximately \$330,782 (2017: \$28,000), that have been or will be issued to the HBT Trustee-Manager as satisfaction of the HBT Trustee-Manager's management fees payable in Stapled Securities, at a unit prices ranging from \$1.4866 to \$1.5927 (2017: \$1.4022) per Stapled Security.

18 FINANCE INCOME AND FINANCE COSTS

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Finance income						
Interest income under the effective interest method on:						
- cash and cash equivalents	1	1	1,374	225	1,375	226
- amount due from HBT at amortised cost	—	—	—	1,735	—	—
Fair value gains on financial derivatives designated at FVTPL	77	—	4,064	161	4,141	141
Net foreign exchange gain	329	—	—	—	—	—
	407	1	5,438	2,121	5,516	367
Finance costs						
Financial liabilities measured at amortised cost:						
- interest expense:						
- borrowings at amortised cost	(2,692)	(818)	(18,024)	(19,884)	(20,716)	(20,702)
- amount due to H-REIT at amortised cost	—	(1,735)	—	—	—	—
- amortisation of transaction costs	(154)	(19)	(1,242)	(1,599)	(1,396)	(1,618)
- financial expense arising from accretion of non-current rental deposits	—	—	(222)	(213)	(222)	(213)
Fair value losses on financial derivatives designated at FVTPL	—	(20)	—	—	—	—
Net foreign exchange losses	—	(336)	(7,264)	(7,344)	(10,235)	(5,100)
	(2,846)	(2,928)	(26,752)	(29,040)	(32,569)	(27,633)
Net finance costs	(2,439)	(2,927)	(21,314)	(26,919)	(27,053)	(27,266)

NOTES TO THE FINANCIAL STATEMENTS

19 LOSS/TOTAL RETURN BEFORE TAX

(i) An analysis of depreciation, amortisation and impairment losses is set out below:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment	6,624	5,414	2,126	2,093	11,375	10,386
Amortisation of prepaid land lease	–	–	–	–	336	264
Impairment loss on goodwill (Note 28)	–	6,874	–	–	–	6,874
	6,624	12,288	2,126	2,093	11,711	17,524

(ii) Loss/Total return before tax is arrived at after charging/(crediting) the following items:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Audit fees paid to:						
- auditors of HBT/H-REIT	75	106	419	469	494	575
- other auditors	158	144	38	44	196	188
Non-audit fees paid to:						
- auditors of HBT/H-REIT	55	53	94	140	149	193
- other auditors	179	191	96	50	275	241
Employee benefits expense:						
- salaries, bonuses and other costs	14,404	13,104	–	–	14,404	13,104
- contributions to defined contribution plans	1,344	131	–	–	1,344	131
	15,748	13,235	–	–	15,748	13,235
Impairment losses/(Reversal of impairment loss) on trade receivables	167	46	(86)	130	81	176
(Reversal of revaluation deficit)/ Revaluation deficit on:						
- property, plant and equipment	–	–	(710)	955	3,023	11,785
- prepaid land lease	–	–	–	–	(230)	(679)
Cost of inventories	6,063	11,041	–	–	6,063	11,041
Operating expenses arising from rental of investment properties	–	–	12,143	12,193	11,044	11,040

Employee benefit expense above include staff-related costs reimbursed to hotel managers of the respective hotels.

In 2018, in addition to the amounts disclosed above, audit fees paid to auditors of HBT/H-REIT of \$45,000 (2017: \$50,000) and \$nil (2017: \$70,000) in relation to the acquisition of investment properties and the Rights Issue were included in "Investment properties" and "Issue expenses", respectively.

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NOTES TO THE FINANCIAL STATEMENTS

20 TAX EXPENSE

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current tax expense						
Current year	584	899	8,906	3,865	9,490	4,764
Under/(Over) provision in prior years	65	156	(676)	–	(611)	156
	649	1,055	8,230	3,865	8,879	4,920
Withholding tax	953	593	289	99	1,242	692
Deferred tax expense/(credit)						
Origination and reversal of temporary differences	903	(357)	4,651	7,105	5,554	6,748
Tax expense	2,505	1,291	13,170	11,069	15,675	12,360
Reconciliation of effective tax rate						
Net (loss)/income before tax	(4,688)	(6,516)	134,306	145,419	126,212	141,484
Tax calculated using Singapore tax rate of 17%	(797)	(1,108)	22,832	24,721	21,456	24,052
Effect of tax in a foreign jurisdiction	(87)	(94)	5,700	9,551	5,613	9,457
Non-tax deductible items	1,040	3,160	19,638	1,789	21,257	4,510
Non-taxable items	(1,196)	(1,194)	(16,350)	(8,392)	(17,546)	(9,586)
Tax exempt income	(1,650)	(36)	(6,267)	(6,458)	(7,917)	(6,494)
Tax transparency	–	–	(12,642)	(12,636)	(12,642)	(12,636)
Current year tax losses for which no deferred tax asset was recognised	3,828	28	646	2,395	4,474	2,423
Change in unrecognised temporary differences	349	(214)	–	–	349	(214)
Withholding tax expense	953	593	289	99	1,242	692
Under/(Over) provision in prior years	65	156	(676)	–	(611)	156
	2,505	1,291	13,170	11,069	15,675	12,360

NOTES TO THE FINANCIAL STATEMENTS

21 LOSS/TOTAL RETURN FOR THE YEAR

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Comprises loss/total return of:						
- H-REIT	–	–	105,296	79,234	105,296	79,234
- Other H-REIT Group entities*	–	–	15,840	55,116	15,840	55,116
- HBT	(15,577)	6,756	–	–	(15,577)	6,756
- Other HBT Group entities*	8,384	(14,563)	–	–	8,384	(14,563)
- Stapled Group's consolidation adjustments	–	–	–	–	(3,406)	2,581
	(7,193)	(7,807)	121,136	134,350	110,537	129,124

* including consolidation adjustments

22 EARNINGS PER STAPLED SECURITY

Earnings per Stapled Security is based on:

	Stapled Group	
	2018	2017
	\$'000	\$'000
Total return for the year attributable to holders of Stapled Securities	110,320	129,018
	Number of Stapled Securities	
	2018	2017
	'000	'000
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:		
- outstanding during the year	1,204,194	1,107,920
- to be issued as payment of H-REIT Manager's and/or HBT Trustee-Manager's management fees payable in Stapled Securities	5	4
	1,204,199	1,107,924
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:		
- weighted average number of Stapled Securities (basic)	1,204,199	1,107,924
- to be issued as payment of H-REIT Manager's and/or HBT Trustee-Manager's management fees payable in Stapled Securities	5,689	5,314
	1,209,888	1,113,238
Earnings per Stapled Security (cents)		
Basic	9.16	11.65
Diluted	9.12	11.59

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NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS

In 2018, the HBT Group, the H-REIT Group and the Stapled Group have 3, 7 and 8 (2017: 3, 6 and 7) reportable segments, respectively, as described below. All the segments relate to properties operated as hotels and/or resorts. Each segment is managed separately because of the differences in operating and regulatory environment. The Board of Directors ("BOD") of the HBT Trustee-Manager and the H-REIT Manager review the internal management reports for the segments at least quarterly.

The number of properties included in each reportable segment is set out below:

Reportable segment	Number of properties operated as hotels and/or resorts					
	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
Singapore	–	–	6	6	6	6
New Zealand	–	–	1	1	1	1
Australia	–	–	3	5	3	5
Germany	–	–	1	1	1	1
Italy	–	–	1	–	1	–
Maldives	1	1	2	2	2	2
Japan	2	2	2	2	2	2
UK	2	2	–	–	2	2

Other operations of the H-REIT Group and the Stapled Group include Claymore Connect which is leased to individual tenants and is operated as a retail space.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net property income, as included in the internal management reports that are reviewed by the BODs of the HBT Trustee-Manager or the H-REIT Manager. Segment net property income is used to measure performance as the HBT Trustee-Manager or the H-REIT Manager believe that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within the same industry.

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

HBT Group 2018

	Maldives \$'000	Japan \$'000	UK \$'000	Total \$'000
Revenue – external	4,724	9,708	44,238	58,670
Reportable segment net property income	(6,636)	56	12,804	6,224
Depreciation of property, plant and equipment	–	–	(6,624)	(6,624)
Unallocated items:				
- HBT Trustee-Manager's management fee				(413)
- HBT Trustee-Manager's trustee fee				(229)
- Valuation fees				(31)
- Other trust expenses				(1,176)
- Finance income				407
- Finance costs				(2,846)
- Tax expense				(2,505)
Loss for the year				(7,193)
Other material non-cash items				
Impairment loss on trade receivables	(113)	–	(54)	(167)
Reportable segment assets				
Capital expenditure on property, plant and equipment	–	–	3,885	3,885
Non-current assets	–	–	202,316	202,316

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NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Maldives \$'000	Japan \$'000	UK \$'000	Total \$'000
HBT Group 2017				
Revenue – external	14,587	9,845	36,397	60,829
Reportable segment net property income	(728)	88	12,380	11,740
Depreciation of property, plant and equipment	–	–	(5,414)	(5,414)
Impairment of goodwill	–	–	(6,874)	(6,874)
HBT Trustee-Manager's acquisition fee	–	–	(94)	(94)
Unallocated items:				
- HBT Trustee-Manager's management fee				(35)
- HBT Trustee-Manager's trustee fee				(196)
- Valuation fees				(73)
- Other trust expenses				(2,643)
- Finance income				1
- Finance costs				(2,928)
- Tax expense				(1,291)
Loss for the year				(7,807)
Other material non-cash items				
Impairment loss on trade receivables	–	–	(46)	(46)
Reportable segment assets				
Capital expenditure on property, plant and equipment	–	–	1,280	1,280
Non-current assets	–	–	206,192	206,192

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Germany \$'000	Maldives \$'000	Japan \$'000	Italy \$'000	Total reportable segments \$'000	Others \$'000	Total \$'000
H-REIT Group 2018										
Revenue – external	88,706	17,831	9,832	10,908	12,134	5,114	207	144,732	7,560	152,292
Reportable segment net property income	82,121	17,831	9,832	9,747	10,061	4,796	118	134,506	5,324	139,830
Depreciation of property, plant and equipment	–	–	–	–	(241)	(1,885)	–	(2,126)	–	(2,126)
Net fair value gain/(loss) on investment properties	15,857	882	504	17,238	(11,090)	–	(701)	22,690	6,028	28,718
Reversal of revaluation deficit on property, plant and equipment	–	–	–	–	–	710	–	710	–	710
Gain on disposal of investment properties and related cessation of business of foreign operations	–	–	5,367	–	–	–	–	5,367	–	5,367
Unallocated items:										
- H-REIT Manager's management fee										(12,873)
- H-REIT Trustee's fee										(345)
- Valuation fees										(154)
- Other trust expenses										(3,507)
- Finance income										5,438
- Finance costs										(26,752)
- Tax expense										(13,170)
Total return for the year										<u>121,136</u>
Other material non- cash items										
Reversal on impairment loss on trade receivables	–	–	–	–	–	–	–	–	86	86
Reportable segment assets										
Capital expenditure on investment properties and property, plant and equipment	12,143	1,451	–	219	19,309	346	10	33,478	(228)	33,250
Non-current assets [^]	<u>1,643,000</u>	<u>214,714</u>	<u>148,419</u>	<u>180,434</u>	<u>147,208</u>	<u>83,643</u>	<u>68,424</u>	<u>2,485,842</u>	<u>95,800</u>	<u>2,581,642</u>

[^] Excluding deferred tax assets, financial derivative asset and other receivables

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NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Germany \$'000	Maldives \$'000	Japan \$'000	Total reportable segments \$'000	Others \$'000	Total \$'000
H-REIT Group									
2017									
Revenue – external	89,037	19,419	14,466	5,468	12,434	4,904	145,728	6,807	152,535
Reportable segment net property income	81,764	19,419	14,466	5,081	10,277	4,582	135,589	4,431	140,020
Depreciation of property, plant and equipment	–	–	–	–	(234)	(1,859)	(2,093)	–	(2,093)
Net fair value gain/(loss) on investment properties	10,121	51,394	15,851	(2,987)	(23,119)	–	51,260	(86)	51,174
Revaluation deficit on property, plant and equipment	–	–	–	–	–	(955)	(955)	–	(955)
Unallocated items:									
- H-REIT Manager's management fee									(13,179)
- H-REIT Trustee's fee									(278)
- Valuation fees									(200)
- Other trust expenses									(2,151)
- Finance income									2,121
- Finance costs									(29,040)
- Tax expense									(11,069)
Total return for the year									134,350
Other material non-cash items									
Impairment loss on trade receivables	–	–	–	–	–	–	–	(130)	(130)
Reportable segment assets									
Capital expenditure on investment properties and property, plant and equipment	10,879	679	–	39	3,134	313	15,044	86	15,130
Non-current assets [^]	1,615,000	217,833	159,258	168,858	136,130	77,534	2,374,613	90,000	2,464,613

[^] Excluding deferred tax assets and other receivables

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Germany \$'000	Maldives \$'000	Japan \$'000	UK \$'000	Italy \$'000	Total reportable segments \$'000	Others \$'000	Total
Stapled Group											
2018											
Revenue – external	88,706	17,831	9,832	10,908	12,813	9,708	44,238	207	194,243	7,560	201,803
Reportable segment net property income	82,121	17,831	9,832	9,747	3,425	4,852	12,804	118	140,730	5,324	146,054
Depreciation of property, plant and equipment	–	–	–	–	(2,866)	(1,885)	(6,624)	–	(11,375)	–	(11,375)
Amortisation of prepaid land lease	–	–	–	–	(336)	–	–	–	(336)	–	(336)
Reversal of revaluation deficit/(Revaluation deficit) on property, plant and equipment and prepaid land lease	–	–	–	–	(3,503)	710	–	–	(2,793)	–	(2,793)
Net fair value gain/(loss) of investment properties	15,857	882	504	17,238	(4,732)	–	–	(701)	29,048	6,028	35,076
Gain on disposal of investment properties and related cessation of business of foreign operations	–	–	5,367	–	–	–	–	–	5,367	–	5,367
Unallocated items:											
- H-REIT Manager's management fee											(12,873)
- H-REIT Trustee's fee											(345)
- HBT Trustee-Manager's management fee											(413)
- HBT Trustee-Manager's trustee fee											(229)
- Valuation fees											(185)
- Other trust expenses											(4,683)
- Finance income											5,516
- Finance costs											(32,569)
- Tax expense											(15,675)
Total return for the year											110,537
Other material non-cash items											
(Impairment loss)/Reversal of impairment loss on trade receivables	–	–	–	–	(113)	–	(54)	–	(167)	86	(81)
Reportable segment assets											
Capital expenditure on investment properties and property, plant and equipment	12,143	1,451	–	219	19,324	346	3,885	10	37,378	(228)	37,150
Non-current assets [^]	1,643,000	214,714	148,419	180,434	147,207	83,643	202,316	68,424	2,688,157	95,800	2,783,957

[^] Excluding deferred tax assets, financial derivative asset and other receivables

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NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Germany \$'000	Maldives \$'000	Japan \$'000	UK \$'000	Total reportable segments \$'000	Others \$'000	Total \$'000
Stapled Group										
2017										
Revenue – external	89,037	19,419	14,466	5,468	22,876	9,845	36,397	197,508	6,807	204,315
Reportable segment net property income	81,764	19,419	14,466	5,081	9,549	4,670	12,380	147,329	4,431	151,760
Depreciation of property, plant and equipment	–	–	–	–	(3,113)	(1,859)	(5,414)	(10,386)	–	(10,386)
Amortisation of prepaid land lease	–	–	–	–	(264)	–	–	(264)	–	(264)
Revaluation deficit on property, plant and equipment and prepaid land lease	–	–	–	–	(10,151)	(955)	–	(11,106)	–	(11,106)
Impairment of goodwill	–	–	–	–	–	–	(6,874)	(6,874)	–	(6,874)
Net fair value gain/ (loss) of investment properties	10,121	51,394	15,851	(2,987)	(9,858)	–	–	64,521	(86)	64,435
Unallocated items:										
- H-REIT Manager's management fee										(13,179)
- H-REIT Trustee's fee										(278)
- HBT Trustee-Manager's management fee										(35)
- HBT Trustee-Manager's trustee fee										(196)
- HBT Trustee-Manager's acquisition fee										(94)
- Valuation fees										(273)
- Other trust expenses										(4,760)
- Finance income										367
- Finance costs										(27,633)
- Tax expense										(12,360)
Total return for the year										129,124
Other material non-cash items										
Impairment loss on trade receivables	–	–	–	–	–	–	(46)	(46)	(130)	(176)
Reportable segment assets										
Capital expenditure on investment properties and property, plant and equipment	10,879	679	–	39	3,300	313	1,280	16,490	86	16,576
Non-current assets [^]	1,615,000	217,833	159,258	168,858	136,131	77,534	206,192	2,580,806	90,000	2,670,806

[^] Excluding deferred tax assets and other receivables

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONT'D)

Major customers

The H-REIT Group's properties, except Claymore Connect, are leased to 12 (2017: 11) master lessees. Such master lessees include subsidiaries of Millennium & Copthorne Hotels plc, a related corporation, which accounted for \$84,382,000 (2017: \$86,763,000) or 55.4% (2017: 56.9%) of the revenue of the H-REIT Group, and subsidiaries of a third party which accounted for approximately \$31,987,000 (2017: \$36,160,000) or 21.0% (2017: 23.7%) of the revenue of the H-REIT Group. The revenue is attributable to the Singapore, New Zealand and Australia.

24 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Stapled Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the exposure of the HBT Group, the H-REIT Group and the Stapled Group to each of the above risks, their objectives, policies and procedures for measuring and managing risk, and their management of capital.

Risk management framework

Risk management is integral to the whole business of the Stapled Group. The Stapled Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The HBT Trustee-Manager and the H-REIT Manager continually monitor the Stapled Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Stapled Group's activities.

The Audit and Risk Management Committees of the H-REIT Manager and HBT Trustee-Manager assist the H-REIT Manager's and HBT Trustee-Manager's Boards in reviewing the effectiveness of the Stapled Group's material internal controls, including those relating to financial, operational and compliance.

In addition, the Audit and Risk Management Committees of the H-REIT Manager and HBT Trustee-Manager also assist the H-REIT Manager's and HBT Trustee-Manager's Boards in discharging its duties with respect to maintaining an effective control environment that reflects both the established risk appetite and the business objectives of the Stapled Group. The Audit and Risk Management Committees oversee how management monitors compliance with the Stapled Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Stapled Group.

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NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)**(i) Credit risk**

Credit risk is the risk of financial loss resulting from the failure of a customer or counterparty to a financial instrument to settle its financial and contractual obligations to the Stapled Group, as and when they fall due.

The carrying value of financial assets in the statement of financial position represents maximum exposure of the Stapled Group of credit risk, before taking into account any collateral held. The Stapled Group limits its exposure to credit risk from trade receivables by collecting security deposits as collateral, where possible.

Trade and other receivables

Credit evaluations are performed before lease agreements are entered into with tenants. Rental deposits are received, where appropriate, to reduce credit risk. In addition, the balances due from lessees and tenants are being monitored on an on-going basis.

The hotel/resort operators which manage the hotels under the HBT Group perform credit evaluations on customers before accepting customers and monitor their balances on an on-going basis.

At 31 December 2018 and 31 December 2017, the trade receivables from related corporations and/or related entities arising from the master lease arrangements for certain hotel properties represent a significant portion of the H-REIT Group's and the Stapled Group's receivables (Note 6). Except as disclosed, there was no significant concentration of credit risk.

*Exposure to credit risk***Comparative information under FRS 39**

The ageing of trade receivables at the end of the financial year is set out below:

	Gross 2017 \$'000	Impairment loss 2017 \$'000
HBT Group		
Not past due	2,377	–
Past due 31 – 60 days	338	–
Past due 61 – 90 days	67	–
Past due over 90 days	460	356
	<u>3,242</u>	<u>356</u>
H-REIT Group		
Not past due	14,534	23
Past due 31 – 60 days	18	1
Past due 61 – 90 days	79	25
Past due over 90 days	138	60
	<u>14,769</u>	<u>109</u>
Stapled Group		
Not past due	11,413	23
Past due 31 – 60 days	356	1
Past due 61 – 90 days	146	25
Past due over 90 days	598	416
	<u>12,513</u>	<u>465</u>

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

Trade and other receivables (cont'd)

Exposure to credit risk (cont'd)

Expected credit loss assessment for individual lessees and customers as at 1 January and 31 December 2018

The Stapled Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments (geographic region) based on actual credit loss experience over the past four years. These rates are adjusted by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Stapled Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Gross carrying amount 2018 \$'000	Impairment loss allowance 2018 \$'000
HBT Group		
Not past due	1,383	—
Past due 31 – 60 days	342	—
Past due 61 – 90 days	601	—
Past due over 90 days	1,003	411
	3,329	411
H-REIT Group		
Not past due	22,763	—
Past due 31 – 60 days	75	—
Past due 61 – 90 days	69	—
Past due over 90 days	215	—
	23,122	—
Stapled Group		
Not past due	11,750	—
Past due 31 – 60 days	416	—
Past due 61 – 90 days	669	—
Past due over 90 days	1,219	411
	14,054	411

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NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)**(i) Credit risk (cont'd)****Trade and other receivables (cont'd)***Exposure to credit risk (cont'd)***Movement in allowance for impairment in respect of trade receivables**

The movement in the allowance for impairment losses in respect of trade receivables during the year is as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January	356	332	109	250	465	582
Acquisition of a subsidiary	–	21	–	–	–	21
Impairment loss/(Reversal of impairment loss) recognised	167	46	(86)	130	81	176
Amounts utilised	(120)	(19)	(23)	(271)	(143)	(290)
Translation differences	8	(24)	–	–	8	(24)
At 31 December	411	356	–	109	411	465

There is no impact on the allowance for impairment losses for the HBT Group, H-REIT Group and Stapled Group on adoption of FRS 109 / SFRS(I) 9 Financial Instruments on 1 January 2018.

The Stapled Group establishes allowances for impairment that represents its estimate of the expected credit loss and specific loss component in respect of trade and other receivables.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Stapled Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Derivatives

Derivatives are only entered into with banks and financial institution counterparties with sound credit ratings. Details of the derivatives held by the HBT Group, the H-REIT Group and the Stapled Group are set out in Note 10.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Stapled Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk

Liquidity risk is the risk that the Stapled Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The HBT Trustee-Manager and H-REIT Manager monitor their liquidity risk and maintain a level of cash and cash equivalents deemed adequate to finance the HBT Group's and the H-REIT Group's operations and to mitigate the effects of fluctuations in cash flows. The H-REIT Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As at the end of the financial year, the H-REIT Group maintains several lines of credit (Note 9).

The Stapled Group has contractual commitments to incur capital expenditure (Note 25).

The following are the contractual undiscounted cash inflows/(outflows) of financial liabilities, including estimated interest payments:

	Carrying amount \$'000	Contractual cash flows \$'000	← ----- Within 1 year \$'000	Cash flows Between 1 to 5 years \$'000	----- → More than 5 years \$'000
HBT Group					
2018					
Non-derivative financial liabilities					
Unsecured bank loans	93,418	(104,140)	(2,576)	(101,564)	–
Trade and other payables^	21,474	(21,474)	(21,474)	–	–
	114,892	(125,614)	(24,050)	(101,564)	–
2017					
Non-derivative financial liabilities					
Unsecured bank loans	96,264	(110,088)	(2,658)	(107,430)	–
Trade and other payables^	14,590	(14,590)	(14,590)	–	–
	110,854	(124,678)	(17,248)	(107,430)	–
H-REIT Group					
2018					
Non-derivative financial liabilities					
Secured TMK bond	38,222	(38,905)	(253)	(38,652)	–
Secured bank loan	68,532	(76,141)	(1,182)	(2,364)	(72,595)
Unsecured bank loans	811,196	(857,867)	(265,186)	(592,681)	–
Trade and other payables^	45,384	(46,890)	(35,948)	(1,661)	(9,281)
	963,334	(1,019,803)	(302,569)	(635,358)	(81,876)
2017					
Non-derivative financial liabilities					
Secured TMK bond	36,362	(37,391)	(241)	(37,150)	–
Unsecured medium term note	119,984	(121,299)	(121,299)	–	–
Unsecured bank loans	677,600	(867,479)	(299,778)	(567,701)	–
Trade and other payables^	43,498	(45,314)	(34,285)	(1,754)	(9,275)
	877,444	(1,071,483)	(455,603)	(606,605)	(9,275)

[^] Excluding deferred income

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NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

			← ----- Cash flows ----- →		
	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
Stapled Group					
2018					
Non-derivative financial liabilities					
Secured TMK bond	38,222	(38,905)	(253)	(38,652)	–
Secured bank loan	68,532	(76,141)	(1,182)	(2,364)	(72,595)
Unsecured bank loans	904,614	(962,007)	(267,762)	(694,245)	–
Trade and other payables [^]	48,653	(50,159)	(39,217)	(1,661)	(9,281)
	1,060,021	(1,127,212)	(308,414)	(736,922)	(81,876)
2017					
Non-derivative financial liabilities					
Secured TMK bond	36,362	(37,391)	(241)	(37,150)	–
Unsecured medium term note	119,984	(121,299)	(121,299)	–	–
Unsecured bank loans	773,864	(977,567)	(302,436)	(675,131)	–
Trade and other payables [^]	49,640	(51,457)	(40,428)	(1,754)	(9,275)
	979,850	(1,187,714)	(464,404)	(714,035)	(9,275)

[^] Excluding deferred income

The maturity analyses show the contractual undiscounted cash flows of the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to these instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts and cross-currency interest rate swaps. Net settled derivative financial liabilities are included in the maturity analyses as they are held to hedge the cash flow variability of the H-REIT Group's and Stapled Group's floating rate loans.

The interest payments on floating rate loans and borrowings in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes.

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the HBT Group's profit or loss and the H-REIT Group's and the Stapled Group's total return. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk

The H-REIT Manager's and the HBT Trustee-Manager's strategy to manage the risk of potential interest rate volatility is through the use of interest rate hedging instruments and/or fixed rate borrowings. The H-REIT Manager and HBT Trustee-Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

Derivative financial instruments are used to manage exposures to interest rate risks arising from financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Exposure to interest risk

The Stapled Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the end of the financial year, the interest rate profile of the interest-bearing financial instruments based on their nominal amounts was as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments						
Financial assets	1,737	892	92,404	45,624	94,141	46,516
Financial liabilities	(94,019)	(96,989)	(426,884)	(352,676)	(520,903)	(449,665)
Effect of cross-currency interest rate swap	—	—	(104,393)	(102,161)	(104,393)	(102,161)
	<u>(92,282)</u>	<u>(96,097)</u>	<u>(438,873)</u>	<u>(409,213)</u>	<u>(531,155)</u>	<u>(505,310)</u>
Variable rate instruments						
Financial liabilities	—	—	(493,511)	(484,065)	(493,511)	(484,065)
Effect of cross-currency interest rate swap	—	—	104,393	102,161	104,393	102,161
	<u>—</u>	<u>—</u>	<u>(389,118)</u>	<u>(381,904)</u>	<u>(389,118)</u>	<u>(381,904)</u>

Fair value sensitivity analysis for fixed rate instruments

The Stapled Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the financial year would not affect total return.

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NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (cont'd)*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rate at the end of the financial year would increase/(decrease) total return (before any tax effects) of the H-REIT Group and the Stapled Group, by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	100 bp increase \$'000	100 bp decrease \$'000
H-REIT Group		
2018		
Variable rate instruments		
Loans and borrowings	(4,935)	4,935
Cross-currency interest rate swap	1,044	(1,044)
Cash flow sensitivity (net)	(3,891)	3,891
2017		
Variable rate instruments		
Loans and borrowings	(4,841)	4,841
Cross-currency interest rate swap	1,022	(1,022)
Cash flow sensitivity (net)	(3,819)	3,819
Stapled Group		
2018		
Variable rate instruments		
Loans and borrowings	(4,935)	4,935
Cross-currency interest rate swap	1,044	(1,044)
Cash flow sensitivity (net)	(3,819)	3,819
2017		
Variable rate instruments		
Loans and borrowings	(4,841)	4,841
Cross-currency interest rate swap	1,022	(1,022)
Cash flow sensitivity (net)	(3,819)	3,819

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk

The Stapled Group has exposure to foreign currency risk as a result of its operations in several countries. The currencies giving rise to this risk are Australian Dollar, New Zealand Dollar, Euro, United States Dollar, Japanese Yen and Sterling Pound.

In order to manage the foreign currency risk, the H-REIT Manager and the HBT Trustee-Manager adopts foreign currency risk management strategies that may include:

- entering into forward exchange contracts to hedge the foreign currency income from the overseas assets as a natural hedge;
- the use of certain foreign currency denominated borrowings to match the capital values of the overseas assets as a natural hedge, whenever possible; and
- the use of certain foreign currency denominated borrowings to hedge against the currency risk arising from the Stapled Group's net investments in certain subsidiaries in Australia, Maldives, Japan and United Kingdom. These borrowings are designated as net investment hedge.

Hedge accounting – Net investment hedges

At the end of the financial year, the HBT Group, the H-REIT Group and the Stapled Group have designated certain of their bank loans, with a carrying amount of \$273.6 million (2017: \$276.6 million) as net investment hedges, which mitigate the currency risk arising from certain subsidiaries' net assets. As at 31 December 2018, a cumulative net foreign exchange gain of \$2.3 million (2017: \$4.9 million) in respect of the Australia, Germany, Japan, Maldives and United Kingdom net investment hedges remained in the unitholders' funds.

To assess hedge effectiveness, the HBT Group, the H-REIT Group and the Stapled Group determine the economic relationship between the hedge instrument and the hedge item by comparing changes in the carrying amount of debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movement in the spot rate (the offset method). The HBT Group, the H-REIT Group and the Stapled Group's policy is to hedge the net investment only to the extent of debt principal.

During the financial year, the HBT Group, the H-REIT Group and the Stapled Group have recognised a net foreign exchange gain of \$3.0 million (2017: \$6.9 million) in unitholders' funds in respect of bank loans which were used as a hedge for net investments in Maldives, Japan and United Kingdom. In addition, a cumulative foreign exchange loss of \$5.9 million (2017: Nil) in respect of H-REIT Group's net investment hedge in Mercure Brisbane and Ibis Brisbane was reclassified from the unitholders' funds to the statement of total return as the hotels were disposed of during the year (Note 8).

The exposure of the HBT Group, the H-REIT Group and the Stapled Group to foreign currencies is as follows based on notional amounts:

	Japanese Yen		Sterling Pound	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
HBT Group				
Trade and other receivables	32	31	2,429	4,217
Cash and cash equivalents	–	–	570	1,197
Bank loans	–	–	(94,019)	(96,989)
Net statement of financial position exposure	32	31	(91,020)	(91,575)
Forward exchange contracts	–	–	(1,858)	(2,850)
Net exposure	32	31	(92,878)	(94,425)

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NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk (cont'd)

	Australian Dollar		New Zealand Dollar		Euro		United States Dollar		Japanese Yen		Sterling Pound	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
H-REIT Group												
Trade and other receivables	10,230	13,402	4,304	4,572	1,125	4,014	18,331	1,799	174	829	–	–
Cash and cash equivalents	55,850	1,764	3,142	5,119	2,841	6,312	939	189	1,637	1,021	–	–
Trade and other payables	(1,134)	(1,220)	(317)	(326)	(98)	–	(1,528)	(1,495)	–	–	–	–
Bank loans	–	–	–	–	(122,152)	(66,481)	(211,307)	(192,035)	(40,581)	(38,750)	(115,784)	(119,441)
Net statement of financial position exposure	64,946	13,946	7,129	9,365	(118,284)	(56,155)	(193,565)	(191,542)	(38,770)	(36,900)	(115,784)	(119,441)
Forward exchange contracts	(1,978)	(1,344)	(3,499)	(3,819)	–	–	(577)	(645)	(802)	(1,389)	–	–
Cross-currency interest rate swap	–	–	–	–	(104,393)	(102,161)	104,393	102,161	–	–	–	–
Net exposure	62,968	12,602	3,630	5,546	(222,677)	(158,316)	(89,749)	(90,026)	(39,572)	(38,289)	(115,784)	(119,441)
Stapled Group												
Trade and other receivables	10,230	13,402	4,304	4,572	1,125	4,014	18,331	1,799	206	860	2,429	4,217
Cash and cash equivalents	55,850	1,764	3,142	5,119	2,841	6,312	939	189	1,637	1,021	570	1,197
Trade and other payables	(1,134)	(1,220)	(317)	(326)	(98)	–	(1,528)	(1,495)	–	–	–	–
Bank loans	–	–	–	–	(122,152)	(66,481)	(211,307)	(192,035)	(40,581)	(38,750)	(209,803)	(216,430)
Net statement of financial position exposure	64,946	13,946	7,129	9,365	(118,284)	(56,155)	(193,565)	(191,542)	(38,738)	(36,869)	(206,804)	(211,016)
Forward exchange contracts	(1,978)	(1,344)	(3,499)	(3,819)	–	–	(577)	(645)	(802)	(1,389)	(1,858)	(2,850)
Cross-currency interest rate swap	–	–	–	–	(104,393)	(102,161)	104,393	102,161	–	–	–	–
Net exposure	62,968	12,602	3,630	5,546	(222,677)	(158,316)	(89,749)	(90,026)	(39,540)	(38,258)	(208,662)	(213,866)

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the end of the financial year would increase/(decrease) profit or loss (before any tax effects) of the HBT Group and total return (before any tax effects) of the H-REIT Group and the Stapled Group, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	HBT Group		H-REIT Group		Stapled Group	
	Profit or loss \$'000	Other comprehensive income \$'000	Total return \$'000	Unitholders' funds \$'000	Total return \$'000	Unitholders' funds \$'000
2018						
Australian Dollar	—	—	(6,297)	—	(6,297)	—
New Zealand Dollar	—	—	(363)	—	(363)	—
Euro	—	—	22,268	—	22,268	—
United States Dollar	—	—	3,492	5,483	3,492	5,483
Japanese Yen	(3)	—	358	3,599	355	3,599
Sterling Pound	1,453	7,835	11,578	—	2,584	18,282
2017						
Australian Dollar	—	—	(1,260)	—	(1,260)	—
New Zealand Dollar	—	—	(555)	—	(555)	—
Euro	—	—	9,184	6,648	9,184	6,648
United States Dollar	—	—	3,637	5,366	3,637	5,366
Japanese Yen	(3)	—	392	3,437	389	3,437
Sterling Pound	(256)	9,699	11,944	—	911	20,476

A 10% weakening of the Singapore dollar against the above currencies at the end of the financial year would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Fair values**Accounting classifications and fair values**

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are detailed below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	Amortised cost \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
HBT Group									
2018									
Financial assets not measured at fair value									
Trade and other receivables ⁽¹⁾	6	10,312	–	–	10,312				
Cash and cash equivalents	7	12,506	–	–	12,506				
		22,818	–	–	22,818				
Financial assets measured at fair value									
Financial derivative assets	10	–	70	–	70	–	70	–	70
Financial liabilities not measured at fair value									
Trade and other payables ⁽²⁾	11	–	–	(21,474)	(21,474)				
Unsecured bank loans	9	–	–	(93,418)	(93,418)	–	(92,738)	–	(92,738)
		–	–	(114,892)	(114,892)				

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

	Note	Carrying amount			Fair value			
		Loans and receivables \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
HBT Group								
2017								
Financial assets not measured at fair value								
Trade and other receivables ⁽¹⁾	6	7,112	–	–	7,112			
Cash and cash equivalents	7	17,278	–	–	17,278			
		24,390	–	–	24,390			
Financial assets measured at fair value								
Financial derivative assets	10	–	7	–	7	–	7	–
Financial liabilities not measured at fair value								
Trade and other payables ⁽²⁾	11	–	–	(14,590)	(14,590)			
Unsecured bank loans	9	–	–	(96,264)	(96,264)	–	(96,391)	–
		–	–	(110,854)	(110,854)			
Financial liabilities measured at fair value								
Financial derivative liabilities	10	–	(14)	–	(14)	–	(14)	–

⁽¹⁾ Excluding prepayments

⁽²⁾ Excluding deferred income

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NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

*Fair values (cont'd)***Accounting classifications and fair values (cont'd)**

Carrying amount						Fair value			
	Note	Amortised cost \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000

H-REIT Group									
2018									
Financial assets not measured at fair value									
Trade and other receivables ⁽¹⁾	6	39,115	–	–	39,115				
Cash and cash equivalents	7	127,077	–	–	127,077				
		166,192	–	–	166,192				
Financial assets measured at fair value									
Financial derivative assets	10	–	4,084	–	4,084	–	4,084	–	4,084
Financial liabilities measured at fair value									
Financial derivative liabilities	10	–	(37)	–	(37)	–	(37)	–	(37)
Financial liabilities not measured at fair value									
Secured TMK bond	9	–	–	(38,222)	(38,222)	–	(38,344)	–	(38,344)
Secured bank loans	9	–	–	(68,532)	(68,532)	–	(67,954)	–	(67,954)
Unsecured bank loans	9	–	–	(811,196)	(811,196)	–	(812,542)	–	(812,542)
Trade and other payables ⁽²⁾		–	–	(35,301)	(35,301)				
Rental deposits		–	–	(10,083)	(10,083)	–	–	(10,034)	(10,034)
		–	–	(963,334)	(963,334)				

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

	Note	Carrying amount				Fair value			
		Loans and receivables \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
H-REIT Group									
2017									
Financial assets not measured at fair value									
Trade and other receivables ⁽¹⁾	6	19,581	–	–	19,581				
Cash and cash equivalents	7	78,591	–	–	78,591				
		98,172	–	–	98,172				
Financial assets measured at fair value									
Financial derivative assets	10	–	245	–	245	–	245	–	245
Financial liabilities measured at fair value									
Financial derivative liabilities	10	–	(262)	–	(262)	–	(262)	–	(262)
Financial liabilities not measured at fair value									
Secured TMK bond	9	–	–	(36,362)	(36,362)	–	(36,461)	–	(36,461)
Unsecured medium term notes	9	–	–	(119,984)	(119,984)	–	(120,669)	–	(120,669)
Unsecured bank loans	9	–	–	(677,600)	(677,600)	–	(675,988)	–	(675,988)
Trade and other payables ⁽²⁾		–	–	(33,847)	(33,847)				
Rental deposits		–	–	(9,651)	(9,651)	–	–	(9,870)	(9,870)
		–	–	(877,444)	(877,444)				

⁽¹⁾ Excluding prepayments

⁽²⁾ Excluding deferred income

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NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

*Fair values (cont'd)***Accounting classifications and fair values (cont'd)**

	Note	Carrying amount			Fair value				
		Amortised cost \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Stapled Group									
2018									
Financial assets not measured at fair value									
Trade and other receivables ⁽¹⁾	6	31,223	–	–	31,223				
Cash and cash equivalents	7	139,583	–	–	139,583				
		170,806	–	–	170,806				
Financial assets measured at fair value									
Financial derivative assets	10	–	4,155	–	4,155	–	4,155	–	4,155
Financial liabilities measured at fair value									
Financial derivative liabilities	10	–	(37)	–	(37)	–	(37)	–	(37)
Financial liabilities not measured at fair value									
Secured TMK bond	9	–	–	(38,222)	(38,222)	–	(38,344)	–	(38,344)
Secured bank loans	9	–	–	(68,532)	(68,532)	–	(67,954)	–	(67,954)
Unsecured bank loans	9	–	–	(904,614)	(904,614)	–	(905,280)	–	(905,280)
Trade and other payables ⁽²⁾		–	–	(38,570)	(38,570)				
Rental deposits		–	–	(10,083)	(10,083)	–	–	(10,034)	(10,034)
		–	–	(1,060,021)	(1,060,021)				

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

	Note	Carrying amount				Fair value			
		Loans and receivables \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Stapled Group									
2017									
Financial assets not measured at fair value									
Trade and other receivables ⁽¹⁾	6	18,245	–	–	18,245				
Cash and cash equivalents	7	95,869	–	–	95,869				
		114,114	–	–	114,114				
Financial assets measured at fair value									
Financial derivative assets	10	–	252	–	252	–	252	–	252
Financial liabilities measured at fair value									
Financial derivative liabilities	10	–	(276)	–	(276)	–	(276)	–	(276)
Financial liabilities not measured at fair value									
Secured TMK bond	9	–	–	(36,362)	(36,362)	–	(36,461)	–	(36,461)
Unsecured medium term notes	9	–	–	(119,984)	(119,984)	–	(120,669)	–	(120,669)
Unsecured bank loans	9	–	–	(773,864)	(773,864)	–	(772,379)	–	(772,379)
Trade and other payables ⁽²⁾		–	–	(39,989)	(39,989)				
Rental deposits		–	–	(9,651)	(9,651)	–	–	(9,870)	(9,870)
		–	–	(979,850)	(979,850)				

⁽¹⁾ Excluding prepayments

⁽²⁾ Excluding deferred income

Measurement of fair values

The following show the valuation techniques used in measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Financial derivatives

The fair values of forward foreign exchange contracts and cross-currency interest rate swap (Level 2 fair values) are based on banks' quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Other non-derivative financial liabilities

The fair values of TMK bond, bank loans, medium term notes and rental deposits are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

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NOTES TO THE FINANCIAL STATEMENTS

25 COMMITMENTS

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Capital expenditure contracted but not provided for	–	913	5,869	6,124	5,869	7,037

- (b) Under the terms of the lease agreements for certain properties, the H-REIT Group and the Stapled Group are required to incur expenditure equivalent to 2.5% to 4.0% of the gross revenue to maintain and improve the hotel's or resort's furniture and fixtures, equipment and its environment. As at the end of the financial year, the H-REIT Group and the Stapled Group are committed to incur capital expenditure of \$1,991,000 (2017: \$2,831,000) under the terms of the lease agreements.

- (c) The HBT Group, the H-REIT Group and the Stapled Group lease out their properties. Non-cancellable operating lease rentals are receivable as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	119	114	73,965	73,300	69,972	69,390
After 1 year but within 5 years	477	455	227,578	248,496	211,607	232,854
After 5 years	93	203	245,519	233,617	245,612	229,796
	689	772	547,062	555,413	527,191	532,040

The above operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

- (d) The HBT Group, the H-REIT Group and the Stapled Group have entered into operating lease agreements with a third party and a related party respectively. The HBT Group's, the H-REIT Group's and the Stapled Group's commitments for future minimum lease payments under the non-cancellable operating lease are as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	4,368	4,234	945	906	1,201	1,116
After 1 year but within 5 years	17,471	16,935	1,496	2,443	2,519	3,281
After 5 years	822	4,907	–	–	822	883
	22,661	26,076	2,441	3,349	4,542	5,280

The above operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

In addition to the above, HBT's subsidiary, CDL HBT Cambridge City Hotel (UK) Ltd, holds a leasehold land, with a 125-year lease granted by the Cambridge City Council commencing on 25 December 1990 (the "Head Lease"). The lease term may be extended for a further term of 50 years pursuant to the lessee's option to renew under the Head Lease. Lease payment under this lease is variable, being a percentage of gross revenue and subject to a minimum value that is itself a function of the aggregate rent paid over the previous 3 years. For the year ended 31 December 2018, the HBT Group and the Stapled Group recorded a lease payment of \$403,000 (2017: \$402,000).

NOTES TO THE FINANCIAL STATEMENTS

26 RELATED PARTY TRANSACTIONS

In the normal course of the operations of HBT, the HBT Trustee-Manager's trustee, management and acquisition fees have been paid or are payable to the HBT Trustee-Manager.

In the normal course of the operations of H-REIT, the H-REIT Manager's management and acquisition fees and H-REIT Trustee's fee have been paid or are payable to the H-REIT Manager and H-REIT Trustee respectively.

As at the reporting date, the H-REIT Manager and the master lessees of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Grand Millennium Auckland are indirect wholly-owned subsidiaries of a substantial holder of the Stapled Securities in the Stapled Group.

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

	HBT Group		H-REIT Group		Stapled Group	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Related corporations of the H-REIT Manager and the HBT Trustee-Manager						
Acquisition fee paid/payable	–	94	647	1,578	647	1,672
Divestment fee paid/payable	–	–	404	–	404	–
Rental income received/receivable	–	–	84,848	87,240	84,848	87,240
Rental expense paid/payable	–	–	908	892	908	892
Shared service expenses paid/payable	–	–	231	279	231	279
Consultancy fee paid/payable	54	–	–	–	54	–
Corporate secretarial services fee paid/payable	52	49	132	150	184	199

27 FINANCIAL RATIOS

	H-REIT Group		Stapled Group	
	2018	2017	2018	2017
	%	%	%	%
Expenses to weighted average net assets ⁽¹⁾				
- including performance component of H-REIT Manager's management fees ⁽²⁾	0.98	0.98	1.03	1.06
- excluding performance component of H-REIT Manager's management fees ⁽²⁾	0.61	0.55	0.67	0.63
Portfolio turnover rate ⁽³⁾	2.82	–	2.82	–

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the H-REIT Group and the Stapled Group, excluding property expenses, interest expense and income tax expense of each entity, where applicable.

2 Excluding acquisition fee and costs associated with the acquisition of a subsidiary.

3 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the H-REIT Group and the Stapled Group expressed as a percentage of daily average net asset value.

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NOTES TO THE FINANCIAL STATEMENTS

28 ACQUISITIONS

HBT Group**Acquisition of subsidiary**

Financial year ended 31 December 2017

On 4 May 2017, the HBT Group acquired 100% of the shares and voting interests in The Lowry Hotel Ltd ("**LHL**") (the "**UK Acquisition**") for a total consideration of \$95.6 million. The HBT Group acquired LHL which owns The Lowry Hotel in Manchester (the "**UK Property**"). The UK Acquisition is expected to benefit the holders of Stapled Securities by broadening the Stapled Group's earning base and will also have the benefit of improving the geographical diversification of the Stapled Group's portfolio. The acquisition was accounted for as a business combination as the HBT Group had acquired various operational processes, together with the UK Property.

From the date of acquisition to 31 December 2017, LHL contributed revenue of \$16,053,000 and net profit before tax of \$2,276,000 to the HBT Group's results. If the acquisition had occurred on 1 January 2017, the HBT Trustee-Manager estimates that the HBT Group's revenue would have been \$68,227,000 and the HBT Group's net loss before tax for the year would have been \$6,702,000. In determining these amounts, HBT Trustee-Manager has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	\$'000
Property, plant and equipment	94,427
Inventories	258
Trade and other receivables	2,480
Cash at bank	2,867
Trade and other payables	(4,458)
Shareholder's loan	(39,124)
Deferred tax liabilities	(6,875)
Total identifiable net assets	<u>49,575</u>

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation techniques
Property, plant and equipment	<i>Comparative and discounted cash flow methods:</i> The comparative method involves the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the UK Property. The discounted cash flow method involves forecasting the UK Property's income stream for 10 years and discounting the income stream at 8.25%.

NOTES TO THE FINANCIAL STATEMENTS

28 ACQUISITIONS (CONT'D)

HBT Group (cont'd)

Goodwill

Goodwill arising from the UK Acquisition has been recognised as follows:

	\$'000
Total consideration transferred	95,573
Fair value of identifiable net assets	(49,575)
Shareholders' loan assumed	(39,124)
Goodwill	6,874
Impairment loss on goodwill	(6,874)
	<u>—</u>

The HBT Group had undertaken an impairment assessment of the goodwill arising from the UK Acquisition. The recoverable amount was estimated using the fair value less costs to sell approach, taking into consideration the fair value of the underlying property based on the valuation techniques and assumptions described in the table above (Level 3 fair value). Based on this assessment, the goodwill was fully impaired. The impairment loss was recognised in "Depreciation, amortisation and impairment losses" in the statement of profit or loss and is also disclosed under the UK segment (Note 23).

Consideration transferred

	\$'000
Cash paid	<u>95,573</u>
<u>Effect of the acquisition on cash flows</u>	
Total consideration for 100% equity interest acquired	95,573
Add: Acquisition-related costs	1,537
Less: Cash at bank of subsidiary acquired	(2,867)
Less: Acquisition-related costs not yet paid	(11)
Net cash outflow on acquisition	<u>94,232</u>

Acquisition-related costs

The HBT Group incurred a one-off transaction costs of \$1,537,000 (£862,000) comprising acquisition fee payable to the HBT Trustee-Manager of \$94,000, and legal and due diligence costs of \$1,443,000, which have been included in "HBT Trustee-Manager's acquisition fee" and "other trust expenses", respectively in the statement of profit or loss or statement of total return (on the case may be).

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NOTES TO THE FINANCIAL STATEMENTS

28 ACQUISITIONS (CONT'D)

H-REIT Group**Acquisition of subsidiaries**

For the financial year ended 31 December 2018

On 27 November 2018, the H-REIT Group acquired 95.0% of the shares and voting interest in Event Hospitality Group III B.V., which wholly-owns Event Hospitality Group III Italy SRL, the sole shareholder of NKS Hospitality III SRL (collectively, the **"Italy Acquisition"**) for a total consideration of \$51.6 million. NKS Hospitality III SRL is the legal owner of Hotel Cerretani Florence, M Gallery by Sofitel and the fixture, furniture and equipment therein (collectively, the **"Italy Property"**). The acquisition was accounted for as an acquisition of assets.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	\$'000
Investment property	66,636
Trade and other receivables	996
Cash at bank	4,651
Trade and other payables	(748)
Provision for tax	(110)
Borrowings	(17,107)
Total identifiable net assets	54,318
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(2,716)
Share of identifiable net assets acquired	<u>51,602</u>

Consideration transferred

	\$'000
Cash paid	<u>51,438</u>

Effect of the acquisition on cash flows

Total consideration for 95.0% equity interest acquired	51,602
Add: Acquisition-related costs	2,649
Less: Cash at bank of subsidiaries acquired	(4,651)
Less: Acquisition-related costs not yet paid	(2,500)
Less: Amount to be paid	(164)
Net cash outflow on acquisition	<u>46,936</u>

In addition to the above, the H-REIT Group made additional payment of \$800,000 during the year in relation to its German Acquisition which was completed last year. The H-REIT Group made a total payment of \$47.7 million in relation to its acquisition of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

28 ACQUISITIONS (CONT'D)

H-REIT Group (cont'd)

For the financial year ended 31 December 2017

On 14 July 2017, the H-REIT Group acquired 94.9% of the shares and voting interests in NKS Hospitality I B.V. ("**NKS**") and Munich Furniture B.V. ("**FurnitureCo**") (collectively, the "**German Acquisition**") for a total consideration of \$160.3 million. The H-REIT Group acquired NKS and FurnitureCo which own Pullman Hotel in Munich (the "**German Hotel**") and its office and retail components (collectively, the "**German Property**"). The acquisition was accounted for as an acquisition of assets.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	\$'000
Investment property	165,258
Deferred tax assets	293
Trade and other receivables	585
Cash at bank	4,236
Trade and other payables	(1,253)
Borrowings	(70,535)
Total identifiable net assets	98,584
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(5,027)
Identifiable net assets acquired	<u>93,557</u>

Consideration transferred

	\$'000
Cash paid	<u>160,304</u>

Effect of the acquisition on cash flows

Total consideration for 94.9% equity interest acquired	93,367
Add: Borrowings assumed	66,937
Add: Acquisition-related costs	4,240
Less: Cash at bank of subsidiaries acquired	(4,236)
Less: Consideration not yet paid	(2,914)
Net cash outflow on acquisition	<u>157,394</u>

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NOTES TO THE FINANCIAL STATEMENTS

29 GROUP ENTITIES

The HBT Group and the H-REIT Group have equity investments in subsidiaries.

Details of the significant subsidiaries are as follows:

Name of subsidiaries	Place of incorporation	Effective equity interest held by the H-REIT Group and the Stapled Group	
		2018 %	2017 %
Subsidiaries of H-REIT			
⁽¹⁾ CDLHT (BVI) One Ltd	British Virgin Islands	100	100
⁽¹⁾ CDLHT (BVI) Trust One	–	100	100
⁽³⁾ Sunshine Hotels Australia Pty Ltd	Australia	100	100
⁽¹⁾ CDLHT Sunshine Limited	British Virgin Islands	100	100
⁽¹⁾ CDLHT Sunrise Limited	British Virgin Islands	100	100
⁽¹⁾ CDLHT Two Limited	British Virgin Islands	100	100
⁽¹⁾ CDLHT Sanctuary Limited	British Virgin Islands	100	100
⁽²⁾ CDLHT MTN Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT Oceanic Holdings Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT Hanei One Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT Hanei Two Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT Two Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT Munich One Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT Munich Two Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT CFM One Pte. Ltd.	Singapore	100	–
⁽²⁾ CDLHT CFM Two Pte. Ltd.	Singapore	100	–
Subsidiaries of CDLHT Sunshine Limited			
⁽¹⁾ Sun One Investments Limited	British Virgin Islands	100 ⁽⁵⁾	100
⁽¹⁾ Sun Two Investments Limited	British Virgin Islands	100	100
⁽¹⁾ Sun Three Investments Limited	British Virgin Islands	100	100
⁽¹⁾ Sun Four Investments Limited	British Virgin Islands	100	100
Subsidiary of Sun One Investments Limited			
⁽¹⁾ Sun Trust One	–	100 ⁽⁵⁾	100
Subsidiary of Sun Two Investments Limited			
⁽¹⁾ Sun Trust Two	–	100	100
Subsidiary of Sun Three Investments Limited			
⁽¹⁾ Sun Trust Three	–	100	100
Subsidiary of Sun Four Investments Limited			
⁽¹⁾ Sun Trust Four	–	100	100
Subsidiary of CDLHT Sanctuary Limited			
⁽³⁾ Sanctuary Sands Maldives Private Limited	Maldives	100	100
Subsidiary of CDLHT Oceanic Holdings Pte. Ltd.			
⁽¹⁾ CDLHT Oceanic Ltd	British Virgin Islands	100	100
Subsidiary of CDLHT Oceanic Ltd			
⁽¹⁾ CDLHT Oceanic Two Ltd	British Virgin Islands	100	100

NOTES TO THE FINANCIAL STATEMENTS

29 GROUP ENTITIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the H-REIT Group and the Stapled Group	
		2018 %	2017 %
Subsidiary of CDLHT Oceanic Two Ltd			
⁽³⁾ CDLHT Oceanic Maldives Private Limited	Maldives	100	100
Subsidiary of CDLHT Hanei Two Pte. Ltd.			
⁽³⁾ CDLHT Hanei Tokutei Mokuteki Kaisha	Japan	100	100
Subsidiary of CDLHT Munich One Pte. Ltd.			
⁽¹⁾ NKS Hospitality I B.V.	Netherlands	94.9	94.9
⁽¹⁾ Munich Furniture B.V.	Netherlands	94.9	94.9
Subsidiary of CDLHT CFM One Pte. Ltd.			
⁽¹⁾ Event Hospitality Group III B.V.	Netherlands	95.0	—
Subsidiary of Event Hospitality Group III B.V.			
⁽¹⁾ Event Hospitality Group III Italy SRL	Italy	95.0	—
Subsidiary of Event Hospitality Group III Italy SRL			
⁽¹⁾ NKS Hospitality III SRL	Italy	95.0	—
Subsidiaries of HBT			
⁽²⁾ CDL HBT Oceanic Holdings Pte. Ltd.	Singapore	100	100
⁽²⁾ CDL HBT Hanei Pte. Ltd.	Singapore	100	100
⁽²⁾ CDL HBT Cambridge City Pte. Ltd.	Singapore	100	100
Subsidiary of CDL HBT Oceanic Holdings Pte. Ltd.			
⁽¹⁾ CDL HBT Oceanic Ltd	British Virgin Islands	100	100
Subsidiary of CDL HBT Oceanic Ltd			
⁽¹⁾ CDL HBT Oceanic Two Ltd	British Virgin Islands	100	100
Subsidiary of CDL HBT Oceanic Two Ltd			
⁽³⁾ CDL HBT Oceanic Maldives Private Limited	Maldives	100	100
Subsidiary of CDL HBT Hanei Pte. Ltd.			
⁽³⁾ AKO GK	Japan	100	100
Subsidiary of CDL HBT Cambridge City Pte. Ltd.			
⁽³⁾ CDL HBT Cambridge City (UK) Ltd	England and Wales	100	100
⁽⁴⁾ CDL HBT North Ltd	England and Wales	100	100
Subsidiary of CDL HBT Cambridge City (UK) Ltd			
⁽³⁾ CDL HBT Cambridge City Hotel (UK) Ltd	England and Wales	100	100
Subsidiary of CDL HBT North Ltd			
⁽⁴⁾ The Lowry Hotel Ltd	England and Wales	100	100

(1) Not required to be audited under the laws of the country of incorporation/constitution.

(2) Audited by KPMG LLP, Singapore.

(3) Audited by other member firms of KPMG International.

(4) Audited by BDO LLP, United Kingdom.

(5) Entity became dormant following the disposal of Mercure Brisbane and Ibis Brisbane hotels.

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NOTES TO THE FINANCIAL STATEMENTS

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council ("**ASC**") issued the SFRS(I). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies and business trusts listed on the SGX-ST will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2.1, these are the first financial statements of HBT Group prepared in accordance with SFRS(I).

The H-REIT Group and the Stapled Group continue to prepare their financial statements under RAP 7. RAP 7 requires the accounting policies to generally comply with the recognition and measurement of FRS.

In addition to the adoption of SFRS(I) framework by the HBT Group as described above, a number of new FRSs or SFRS(I)s, amendments to and interpretations of FRS or SFRS(I) are mandatorily effective from the same date. Those of which are relevant to the HBT Group, H-REIT Group and the Stapled Group (collectively, "**the Entities**") are set out below:

- FRS 115 / SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to FRS 115 / SFRS(I) 15 *Clarifications to FRS 115 / SFRS(I) 15*
- FRS 109 / SFRS(I) 9 *Financial Instruments*
- Requirements in FRS 40 / SFRS(I) 1-40 *Investment Property* arising from the amendments to FRS 40 – *Transfers of investment property*
- IFRIC 22 / SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

The application of the above standards do not have a material effect on the financial statements, except for FRS 109 / SFRS(I) 9.

Details of the adoption of SFRS(I) 1 framework and the new accounting standards relevant to the HBT Group, H-REIT Group and the Stapled Group are set out below.

SFRS(I) 1 First-time Adoption of International Financial Reporting Standards

The accounting policies set out in Note 3 have been applied in preparing the financial statements of HBT Group for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the HBT Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the HBT Group has applied the mandatory exceptions and the optional exemptions in SFRS(I) 1 which did not have any significant impact on the financial statements of HBT Group.

NOTES TO THE FINANCIAL STATEMENTS

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

FRS 109 / SFRS(I) 9 *Financial Instruments*

FRS 109 / SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new ECL model and a new general hedge accounting model.

As a result of the adoption of FRS 109 / SFRS(I) 9, the Stapled Group has adopted consequential amendments to FRS 107 / SFRS(I) 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Changes in accounting policies resulting from the adoption of FRS 109 / SFRS(I) 9 have been applied by the Stapled Group retrospectively, except as described below.

- The Stapled Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of FRS 109 / SFRS(I) 9, but rather those of FRS 39.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.
- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under FRS 39 at 31 December 2017 met the criteria for hedge accounting under FRS 109 / SFRS(I) 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

The impact upon adoption of FRS 109 / SFRS(I) 9 are described below.

(i) **Classification and measurement of financial assets and financial liabilities**

FRS 109 / SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under FRS 109 / SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 / SFRS(I) 9 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available for sale.

FRS 109 / SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities.

The adoption of FRS 109 / SFRS(I) 9 has not had a significant effect on the Stapled Group's accounting policies related to financial liabilities.

For an explanation of how the Stapled Group classifies and measures financial instruments and accounts for related gains and losses under FRS 109 / SFRS(I) 9, see Note 3.6.

Trade and other receivables (excluding prepayments) and cash and cash equivalents that were classified as loans and receivables under FRS 39 have been classified at amortised cost under FRS 109 / SFRS(I) 9 as at 1 January 2018.

There is no significant change to the measurement basis arising from the measurement model under FRS 109 / SFRS(I) 9.

(ii) **Impairment of financial assets**

FRS 109 / SFRS (I) 9 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost.

Under FRS 109 / SFRS(I) 9, credit losses are recognised earlier than under FRS 39. There is no significant impact to the Stapled Group's allowance for impairment on its financial assets as a result of adopting FRS 109 / SFRS(I) 9.

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NOTES TO THE FINANCIAL STATEMENTS

31 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED**Applicable to 2019 financial statements and thereafter**

A number of new FRS or SFRS(I)s, amendments to and interpretations of FRS or SFRS(I) are not yet effective and have not been applied in preparing these financial statements. The new standard relevant to the Entities is set out below.

Applicable to 2019 financial statements

- FRS 116 / SFRS(I) 16 *Leases*
- IFRIC 23 / SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

The Entities are still in the process of assessing the impact of the new FRSs / SFRS(I)s, amendments to and interpretations of FRSs / SFRS(I)s on the financial statements. The Entities' preliminary assessment of FRS 16 / SFRS(I) 16, which is expected to have a more significant impact on their financial statements is as described below.

FRS 116 / SFRS(I) 16

FRS 116 / SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 / SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Entities plan to apply FRS 116 / SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adoption FRS 116 / SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated profits at 1 January 2019, with no restatement of comparative information. The Entities plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 / SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

The Entities as lessee

The Entities expect to measure lease liabilities by applying a single discount rate to their portfolio of property leases with reasonably similar characteristics. Furthermore, the Entities are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Entities are expected to use hindsight in determining the lease term.

The Entities expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under the principles of FRS 116 / SFRS(I) 16.

The HBT Group, H-REIT Group and Stapled Group's operating lease commitments amounted to approximately \$22.7 million, \$2.4 million and \$4.5 million, respectively, as at 31 December 2018. Under FRS 116 / SFRS(I) 16, remaining lease payments under the operating leases will be recognised at their present value discounted using an appropriate discount rate. In addition, the nature of expenses will now change as FRS 116 / SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets (where relevant) and interest expense on lease liabilities. The Entities are currently quantifying the adjustments on adoption of the standard.

The Entities as lessor

FRS 116 / SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Entities continue to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 1 March 2019

SUMMARY INFORMATION OF STAPLED SECURITIES

A Stapled Security means a security comprising one unit of H-REIT and one unit of HBT stapled together under the terms of the Stapling Deed dated 12 June 2006. Each holder of the Stapled Securities has one vote per Stapled Security.

RANGE OF STAPLED SECURITIES HOLDINGS

Issued and Fully Paid Stapled Securities: 1,206,437,202 Stapled Securities

Size of Stapled Securities Holdings	No. of Stapled Securities Holders	%	No. of Stapled Securities	%
1 - 99	17	0.19	326	0.00
100 - 1,000	665	7.61	492,170	0.04
1,001 - 10,000	5,186	59.32	26,398,880	2.19
10,001 - 1,000,000	2,847	32.57	117,025,094	9.70
1,000,001 and above	27	0.31	1,062,520,732	88.07
	8,742	100.00	1,206,437,202	100.00

TWENTY LARGEST STAPLED SECURITIES HOLDERS

No.	Name	No. of Stapled Securities	%*
1	HOSPITALITY HOLDINGS PTE. LTD.	313,950,000	26.02
2	DBS NOMINEES PTE LTD	184,270,509	15.27
3	CITIBANK NOMINEES SINGAPORE PTE LTD	176,829,003	14.66
4	M&C REIT MANAGEMENT LIMITED	74,639,996	6.19
5	REPUBLIC HOTELS & RESORTS LIMITED	62,790,000	5.20
6	DBSN SERVICES PTE LTD	61,900,516	5.13
7	RAFFLES NOMINEES (PTE) LIMITED	61,261,213	5.08
8	HSBC (SINGAPORE) NOMINEES PTE LTD	54,884,389	4.55
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	18,115,890	1.50
10	GUAN HONG PLANTATION PRIVATE LIMITED	6,900,000	0.57
11	DB NOMINEES (SINGAPORE) PTE LTD	6,672,256	0.55
12	MILLENNIUM SECURITIES PTE LTD	4,800,000	0.40
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,750,129	0.39
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,436,980	0.29
15	SOON LI HENG CIVIL ENGINEERING PTE LTD	3,360,000	0.28
16	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	3,325,329	0.28
17	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,712,537	0.23
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,549,724	0.21
19	MERRILL LYNCH (SINGAPORE) PTE LTD	2,318,955	0.19
20	MEREN PTE LTD	2,300,000	0.19
TOTAL		1,051,767,426	87.18

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 1 March 2019.

SUBSCRIPTION OF STAPLED SECURITIES IN CDL HOSPITALITY TRUSTS

As at 31 December 2018, 1,205,465,379 Stapled Securities were issued. On 29 January 2019, 895,586 Stapled Securities and 76,237 Stapled Securities were issued to the H-REIT Manager and HBT Trustee-Manager as payment of 80.0 per cent of base management fees for the period from 1 October 2018 to 31 December 2018 respectively.

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STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 1 March 2019

H-REIT MANAGER'S DIRECTORS' AND HBT TRUSTEE-MANAGER'S DIRECTORS' STAPLED SECURITIES HOLDINGS

As shown in the Register of Directors' Stapled Securities Holdings as at 1 March 2019, the direct and deemed interests of each Director in the units in CDLHT are as follows:

Name of Director	Holdings
Chan Soon Hee, Eric (Appointed on 22 June 2018)	NIL
Vincent Yeo Wee Eng	138,000 (Direct)
Ronald Seah Lim Siang	NIL
Foo Say Mui (Bill)	NIL
Kim Kenny	NIL
Cheah Sui Ling	NIL

SUBSTANTIAL STAPLED SECURITIES HOLDERS

as at 1 March 2019

Name	Direct Interest	Deemed Interest	Total Holdings	%*
Hospitality Holdings Pte. Ltd.	313,950,000	—	313,950,000	26.02
M&C REIT Management Limited	74,639,996	522,400 ⁽¹⁾	75,162,396	6.23
Republic Hotels & Resorts Limited	62,790,000	—	62,790,000	5.20
ATOS Holding GmbH	—	313,950,000 ⁽²⁾	313,950,000	26.02
M&C Hotel Investments Pte. Ltd.	—	137,952,396 ⁽³⁾	137,952,396	11.43
M&C Hospitality International Limited	—	137,952,396 ⁽³⁾	137,952,396	11.43
M&C Singapore Holdings (UK) Limited	—	137,952,396 ⁽³⁾	137,952,396	11.43
Millennium & Copthorne Hotels plc	—	451,902,396 ⁽⁴⁾	451,902,396	37.46
City Developments Limited	—	451,902,396 ⁽⁴⁾	451,902,396	37.46
Hong Leong Investment Holdings Pte. Ltd.	—	456,702,396 ⁽⁵⁾	456,702,396	37.86
Davos Investment Holdings Private Limited	—	456,702,396 ⁽⁵⁾	456,702,396	37.86
Kwek Holdings Pte Ltd	—	456,702,396 ⁽⁵⁾	456,702,396	37.86

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 1 March 2019.

Notes:

- (1) M&C REIT Management Limited is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"), to have an interest in the 522,400 Stapled Securities held by a company in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- (2) ATOS Holding GmbH is deemed under Section 4 of the SFA, to have an interest in the 313,950,000 Stapled Securities held by a company in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- (3) M&C Hotel Investments Pte. Ltd., M&C Hospitality International Limited and M&C Singapore Holdings (UK) Limited are deemed under Section 4 of the SFA, to have an interest in the 137,952,396 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- (4) Millennium & Copthorne Hotels plc and City Developments Limited are deemed under Section 4 of the SFA, to have an interest in the 451,902,396 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- (5) Hong Leong Investment Holdings Pte. Ltd., Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA, to have an interest in the 456,702,396 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.

FREE FLOAT

Based on information made available to the H-REIT Manager and the HBT Trustee-Manager as at 1 March 2019, no less than 62.05% of the Stapled Securities in CDL Hospitality Trusts is held by the public and accordingly, Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.

INTERESTED PERSON TRANSACTIONS

The aggregate value of all Interested Person Transactions, as defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"), which were entered into during the financial year ended 31 December 2018 ("FY 2018") (excluding transactions less than S\$100,000) are listed below.

Name of Interested Persons	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Stapled Security Holders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST)	Aggregate value of all Interested Person Transactions conducted under Stapled Security Holders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST (excluding transactions less than S\$100,000)
M&C REIT Management Limited (as Manager of CDL Hospitality Real Estate Investment Trust)		
<u>City Century Pte. Ltd.</u>		
- Rental income in relation to units at Claymore Connect ⁽¹⁾	S\$954,293	Not Applicable ⁽²⁾
<u>Republic Hotels & Resorts Limited</u>		
- Extension of the utilization period in relation to Copthorne King's Hotel Singapore's balance furniture, fixtures and fittings reserves	S\$1,900,000	
<u>CDL Management Services Pte. Ltd.</u>		
- Provision of Corporate Secretarial Services	S\$134,645	
M&C Business Trust Management Limited (as Trustee-Manager of CDL Hospitality Business Trust)		
<u>CDL Management Services Pte. Ltd.</u>		
- Provision of Corporate Secretarial Services	S\$42,860	Not Applicable ⁽²⁾
Total:	S\$3,031,798	–

Notes:

- (1) This relates to lease renewal agreements between H-REIT and City Century Pte. Ltd. for the lease of units #01-08 and #01-19/20 at Claymore Connect.
(2) The H-REIT Manager and the HBT Trustee-Manager have not sought any unitholders' mandate for interested person/party transactions pursuant to Rule 920 of the Listing Manual of SGX-ST.

Except as disclosed above, there were no additional interested person/party transactions (excluding transactions of less than \$100,000 each and/or transactions collectively described as "Exempted Agreements") entered into in FY 2018.

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GLOSSARY PAGE

2012 Code	Code of Corporate Governance 2012
2018 Code	Code of Corporate Governance 2018
2019 AGMs	2019 Annual General Meetings
4 IDs	The four independent non-executive directors of the total six directors of the Board
ACRA	Accounting and Corporate Regulatory Authority
ACRA Code	Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities
Act	The Business Trusts Act, Chapter 31A of Singapore
ADR	Average Daily Rate
Aggregate Leverage	Total Borrowings and Deferred Payments of a Property Fund over its Deposited Property
Annual Report	Annual Report 2018
ARC(s)	Audit and Risk Committee(s)
ARC Self-Assessment Checklist	A self-assessment checklist which the ARC used to conduct an assessment of its effectiveness for the financial year under review, adapted from the self-assessment checklist for audit committees set out in the ACGC Guidebook
Australia Hotels	Portfolio hotels located in Australia consisting of Novotel Brisbane, Mercure Perth and Ibis Perth
BCA	Building & Construction Authority
Boards	HBT Board and the H-REIT Board
BOD	Board of Directors
Brexit	Britain's withdrawal from the European Union
Bridge Loan Facility	S\$500.0 million uncommitted multi-currency unsecured bridge loan facility
BTA	Business Trusts Act
BTR	Business Trusts Regulations
CAGR	Compound Annual Growth Rate
CBD	Central Business District
CDL	City Developments Limited
CDP	The Central Depository (Pte) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CIS Code	Code on Collective Investment Schemes
CMS	Capital Markets Services
CPF	Central Provident Fund
Dhevanafushi Maldives Luxury Resort or DMLR	Dhevanafushi Maldives Luxury Resort, managed by AccorHotels
DPS	Distribution per Stapled Security
EA	External Auditors
ESG	Environmental, Social and Governance
Exempted Agreements	Interested Person/ Party Transactions of less than \$100,000 each
F&B	Food and Beverage
FRS	Singapore Financial Reporting Standards
FurnitureCo	Munich Furniture B.V.
FY 2018	Financial Year Ended 31 December 2018
GDP	Gross Domestic Product

GLOSSARY PAGE

German Acquisition	Acquisition of 94.9% of the shares and voting interests in NKS and FurnitureCo
Germany or German Hotel	Pullman Hotel Munich
German Property	Pullman Hotel Munich and its office and retail components
GRI	Global Reporting Initiative
Group or Stapled Group or CDLHT	CDL Hospitality Trusts
HBT	CDL Hospitality Business Trust
HBT Group	CDL Hospitality Business Trust and its subsidiaries
HBT Trust Deed	The trust deed constituting HBT dated 12 June 2006
HBT Trust Property	The trust property of HBT
HBT Trustee-Manager	M&C Business Trust Management Limited as trustee-manager of CDL Hospitality Business Trust
HBT Trustee-Manager Board	Board of Directors of the HBT Trustee-Manager
HBT Trustee-Manager Directors	Directors of the HBT Trustee-Manager
HBT Unitholders	Unitholders of HBT
HBT Unit(s)	Unit(s) of HBT
Head Lease	125-year lease granted by Cambridge City Council commencing from 25 December 1990
Hotel Cerretani Florence or Italy Hotel	Hotel Cerretani Florence, MGallery by Sofitel
H-REIT	CDL Hospitality Real Estate Investment Trust
H-REIT Group	CDL Hospitality Real Estate Investment Trust and its subsidiaries
H-REIT Manager	M&C REIT Management Limited as the manager of CDL Hospitality Real Estate Investment Trust
H-REIT Trust Deed	The trust deed constituting H-REIT dated 08 June 2006
H-REIT Trustee	DBS Trustee Limited as the trustee of CDL Hospitality Real Estate Investment Trust
H-REIT Unit(s)	Unit(s) of H-REIT
IDs	Independent Directors
IFRS	International Financial Reporting Standards
IA	Internal Audit
IPO	Initial Public Offering
IPO Hotels	Portfolio hotels at IPO consisting of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel
IRAS	Inland Revenue Authority of Singapore
ISCA	Institute of Singapore Chartered Accountants
Italy Acquisition	Acquisition of 95.0% of the shares and voting interest in Event Hospitality Group III B.V.
Italy Property	Hotel Cerretani Florence, MGallery by Sofitel and the fixture, furniture and equipment therein
Japan Hotels	Portfolio hotels located in Japan consisting of Hotel MyStays Asakusabashi and Hotel MyStays Kamata
KMP	Key Management Personnel
KPIs	Key Performance Indicators
KPMG	KPMG LLP
LED	Listed Entity Director
Lead ID	Lead Independent Director
LHL	The Lowry Hotel Ltd
Listing Manual of SGX-ST	Listing rules issued by Singapore Exchange Securities Trading Limited
M&C	Millennium and Copthorne Hotels plc

REPORTS

GLOSSARY PAGE

Maldives Resorts	Portfolio resorts located in the Maldives consisting of Angsana Velavaru and Raffles Maldives Meradhoo
Managers	The H-REIT Manager and the HBT Trustee-Manager
Managers' Boards	Boards of the H-REIT Manager and the HBT Trustee-Manager
MAS	Monetary Authority of Singapore
MICE	Meetings, Incentives, Conventions and Exhibitions
NCI	Non-Controlling Interest
NEDs	Non-Executive Directors
NKS	NKS Hospitality I B.V.
N.M.	Not Meaningful
NPI	Net Property Income
NRC(s)	Nominating and Remuneration Committee(s)
NZ Hotel	Portfolio hotel located in New Zealand namely Grand Millennium Auckland
OCI	Other Comprehensive Income
Programme	S\$1.0 Billion Multi-Currency Medium Term Note Programme
Property Funds Appendix	Appendix 6 of the Code on Collective Investment Schemes
RAP	Statement of Recommended Accounting Practice
Rent Revision Date	Tenth Anniversary Date of the commencement of Studio M Hotel's lease
Revised Fixed Rent	50% of the average annual aggregate fixed & variable rent for the five fiscal years preceding the Rent Revision Date
RevPAR	Revenue per Available Room
RHRL	Republic Hotels & Resorts Limited
Rights Issue	199,545,741 Stapled Securities were issued at S\$1.280 per Stapled Security, amounting to S\$255,418,548 for cash as part of the rights issue undertaken by the Stapled Group in July 2017
ROU	Right-Of-Use
SFA	Securities and Futures Act
SGX	Singapore Exchange Limited
SGX-ST	Singapore Exchange Securities Trading Limited
SID	Singapore Institute of Directors
Singapore Hotels	Portfolio hotels located in Singapore consisting of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Novotel Singapore Clarke Quay
Sponsor	Millennium & Copthorne Hotels plc
SSAs	Singapore Standards on Auditing
Stapled Group	Stapled group comprising the H-REIT Group and the HBT Group
Stapled Security(ies)	Stapled Unit(s) of H-REIT and HBT
Stapled Security(ies) Holders	Holders of Stapled Security(ies) of CDLHT
Stapling Deed	The stapling deed dated 12 June 2006
STB	Singapore Tourism Board
TMK	Tokutei Mokuteki Kaisha
UK Acquisition	Acquisition of 100% of the shares and voting interests in The Lowry Hotel Ltd
UK Hotels	Portfolio hotels located in the United Kingdom namely Hilton Cambridge City Centre and The Lowry Hotel (Manchester)
UK Property	The Lowry Hotel
YOY or yoy	Year-on-Year

NOTICE OF ANNUAL GENERAL MEETINGS



CDL HOSPITALITY TRUSTS

A stapled group comprising:

CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted on 8 June 2006
under the laws of the Republic of Singapore)

CDL HOSPITALITY BUSINESS TRUST
(a business trust constituted on 12 June 2006
under the laws of the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the Annual General Meetings ("**Annual General Meetings**") of the security holders of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and CDL Hospitality Business Trust ("**HBT**") will be held at Riverfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663 on Monday, 29 April 2019 at 9.30 a.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of M&C Business Trust Management Limited, as trustee-manager of HBT (the "**HBT Trustee-Manager**"), the Statement by the Chief Executive Officer of the HBT Trustee-Manager, the Report of DBS Trustee Limited, as trustee of H-REIT (the "**H-REIT Trustee**"), the Report of M&C REIT Management Limited, as manager of H-REIT (the "**H-REIT Manager**") and the Audited Financial Statements of HBT, H-REIT and CDL Hospitality Trusts for the year ended 31 December 2018 and the Auditors' Report thereon.
2. To re-appoint Messrs KPMG LLP as the Independent Auditors of H-REIT and HBT and to hold office until the conclusion of the next Annual General Meetings of H-REIT and HBT, and to authorise the H-REIT Manager and the HBT Trustee-Manager to fix their remuneration.

(Ordinary Resolution 1)

(Ordinary Resolution 2)

(B) AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without any modifications, the following resolution:

3. That authority be and is hereby given to the H-REIT Manager and the HBT Trustee-Manager, to
 - (a) (i) issue new units in H-REIT ("**H-REIT Units**") and new units in HBT ("**HBT Units**", together with H-REIT Units, the "**Stapled Securities**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities, at any time and upon such terms and conditions and for such purposes and to such persons as the H-REIT Manager and the HBT Trustee-Manager may in their absolute discretion deem fit; and

(Ordinary Resolution 3)

REPORTS

NOTICE OF ANNUAL GENERAL MEETINGS

- (b) issue Stapled Securities in pursuance of any Instruments made or granted by the H-REIT Manager and the HBT Trustee-Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to Stapled Security Holders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) shall be based on the number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) at the time this Resolution is passed, after adjusting for:
 - (a) any new Stapled Security arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;
- (3) in exercising the authority conferred by this Resolution, the H-REIT Manager and the HBT Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, Chapter 31A of Singapore for the time being in force, the trust deed constituting H-REIT (as amended) (the "**H-REIT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the trust deed constituting HBT (as amended) (the "**HBT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) (unless revoked or varied by the Stapled Security Holders in a general meeting) the authority conferred by this Resolution shall continue in force until
 - (i) the conclusion of the next Annual General Meetings of H-REIT and HBT or
 - (ii) the date by which the next Annual General Meetings of H-REIT and HBT are required by law to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the H-REIT Manager and the HBT Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and

NOTICE OF ANNUAL GENERAL MEETINGS

- (6) the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the H-REIT Manager, the H-REIT Trustee or, as the case may be, the HBT Trustee-Manager may consider expedient or necessary or in the interest of H-REIT and HBT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note below)

AS OTHER BUSINESS

To transact such other business as may be transacted at the Annual General Meetings.

BY ORDER OF THE BOARD

M&C REIT Management Limited
(as manager of CDL Hospitality
Real Estate Investment Trust)

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Enid Ling Peek Fong
Company Secretary

Singapore
29 March 2019

BY ORDER OF THE BOARD

M&C Business Trust Management Limited
(as trustee-manager of
CDL Hospitality Business Trust)

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Enid Ling Peek Fong
Company Secretary

Important Notice:

1. (a) A Stapled Security Holder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meetings. Where such Stapled Security Holder's form of proxy appoints more than one proxy, the proportion of the Stapled Security holding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A Stapled Security Holder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meetings, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Security Holder. Where such Stapled Security Holder's form of proxy appoints more than two proxies, the number and class of Stapled Securities in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Stapled Security Holder.
3. The form of proxy must be deposited at the office of the Unit Registrar, 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the Annual General Meetings.
4. Completion and return of the form of proxy shall not preclude a Stapled Security Holder from attending and voting at the Annual General Meetings. Any appointment of a proxy or proxies shall be deemed to be revoked if a Stapled Security Holder attends the Annual General Meetings in person, and in such event, the H-REIT Manager and the HBT Trustee-Manager reserve the right to refuse to admit any person or persons appointed under this form of proxy, to the Annual General Meetings.

REPORTS

NOTICE OF ANNUAL GENERAL MEETINGS

5. The Chairman of the Annual General Meetings will be exercising his rights under Paragraph 13 of Schedule 1 to the H-REIT Trust Deed and Paragraph 4.4.1 of the Schedule to the HBT Trust Deed for all resolutions at the Annual General Meetings and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the Annual General Meetings will be voted on by way of a poll.
6. To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, Stapled Security Holders present in person or represented by proxy at the Annual General Meetings will be entitled to vote on a 'one-Stapled Security, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Annual General Meetings.

Explanatory Note on Ordinary Resolution 3:

The Ordinary Resolution 3 above, if passed, will empower the H-REIT Manager and the HBT Trustee-Manager from the date of these Annual General Meetings until the date of the next Annual General Meetings of H-REIT and HBT, to issue Stapled Securities and to make or grant Instruments (such as securities, warrants or debentures) convertible into Stapled Securities and issue Stapled Securities pursuant to such Instruments, up to a number not exceeding 50% of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) of which up to 20% of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) may be issued other than on a *pro rata* basis to Stapled Security Holders.

The Ordinary Resolution 3 above, if passed, will also empower the H-REIT Manager and the HBT Trustee-Manager from the date of these Annual General Meetings until the date of the next Annual General Meetings of H-REIT and HBT, to issue Stapled Securities as either full or partial payment of fees which the H-REIT Manager and the HBT Trustee-Manager are entitled to receive for their own accounts pursuant to the H-REIT Trust Deed and the HBT Trust Deed respectively.

For determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the issued Stapled Securities at the time the Ordinary Resolution 3 above is passed, after adjusting for new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Stapled Security Holders is required under the Listing Manual of SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the H-REIT Manager and the HBT Trustee-Manager will then obtain the approval of Stapled Security Holders accordingly.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meetings and/or any adjournment thereof, a Stapled Security Holder (i) consents to the collection, use and disclosure of the Stapled Security Holder's personal data by the H-REIT Manager and the HBT Trustee-Manager (or its agents) for the purpose of the processing and administration by the H-REIT Manager and the HBT Trustee-Manager (or its agents) of proxies and representatives appointed for the Annual General Meetings (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meetings (including any adjournment thereof), and in order for the H-REIT Manager and the HBT Trustee-Manager (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the Stapled Security Holder discloses the personal data of the Stapled Security Holder's proxy(ies) and/or representative(s) to the H-REIT Manager and the HBT Trustee-Manager (or its agents), the Stapled Security Holder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the H-REIT Manager and the HBT Trustee-Manager (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

CDL HOSPITALITY TRUSTS

A stapled group comprising:

CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted on 8 June 2006
under the laws of the Republic of Singapore)

CDL HOSPITALITY BUSINESS TRUST
(a business trust constituted on 12 June 2006
under the laws of the Republic of Singapore)

Personal Data Privacy
By submitting an instrument appointing proxy(ies) or representative(s), the Stapled Security Holder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meetings dated 29 March 2019.

PROXY FORM

ANNUAL GENERAL MEETINGS

I/We _____

with NRIC/Passport/Company Registration No. _____

of _____ (Address)

being a holder/s of units in CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust (collectively, "**Stapled Securities**"), hereby appoint:

Name	Address	NRIC / Passport Number	Proportion of Stapled Securities Holdings	
			Number	%

and/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Stapled Securities Holdings	
			Number	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meetings to be held at Riverfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663 on Monday, 29 April 2019 at 9.30 a.m. and at any adjournment thereof in the following manner as specified below. My/our proxy/proxies may vote or abstain from voting at his/their discretion on any of the resolutions where I/we have not specified any voting instruction, and on any other matter arising at the Annual General Meetings.

Note: Voting on all resolutions will be conducted by poll. If you wish to exercise 100% of your votes "**For**" or "**Against**" a resolution, please tick with (☒) in the corresponding box against that resolution. If you wish to split your votes, please indicate the number of votes "**For**" and/or "**Against**" that resolution.

No.	Resolution	No. of votes For	No. of votes Against
ORDINARY BUSINESS			
1	Adoption of the HBT Trustee-Manager's Report, the Statement by the Chief Executive Officer of the HBT Trustee-Manager, the H-REIT Trustee's Report, the H-REIT Manager's Report and the Audited Financial Statements of HBT, H-REIT and CDL Hospitality Trusts for the year ended 31 December 2018 and the Auditors' Report thereon.		
2	Re-appointment of Independent Auditors and authorisation of the H-REIT Manager and the HBT Trustee-Manager to fix the Independent Auditors' remuneration.		
SPECIAL BUSINESS			
3	Authority to issue Stapled Securities and to make or grant convertible instruments.		

Dated this _____ day of _____ 2019

Total number of Stapled Securities held

Signature(s) of Stapled Security Holder(s) or
Common Seal of Corporate Stapled Security Holder(s)

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM OVERLEAF

Notes To Proxy Form

1. (a) A Stapled Security Holder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meetings. Where such Stapled Security Holder's form of proxy appoints more than one proxy, the proportion of the Stapled Security Holding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A Stapled Security Holder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meetings, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Security Holder. Where such Stapled Security Holder's form of proxy appoints more than two proxies, the number and class of Stapled Securities in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Stapled Security Holder.
3. A Stapled Security Holder should insert the total number of Stapled Securities held. If the Stapled Security Holder has Stapled Securities entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Stapled Security Holder.
4. The form of proxy (the "**Proxy Form**") must be deposited at the office of the Unit Registrar, 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the Annual General Meetings.
5. The Proxy Form must be signed by the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where a Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the H-REIT Manager and the HBT Trustee-Manager) be lodged with the Proxy Form; failing which the Proxy Form may be treated as invalid.
7. The H-REIT Manager and the HBT Trustee-Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Stapled Securities entered into the Depository Register, the H-REIT Manager and the HBT Trustee-Manager may reject a Proxy Form if the Stapled Security Holder, being the appointor, is not shown to have Stapled Securities entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meetings, as certified by CDP to the H-REIT Manager and the HBT Trustee-Manager.
8. All Stapled Security Holders will be bound by the outcome of the Annual General Meetings regardless of whether they have attended or voted at the Annual General Meetings.

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CDL Hospitality Trusts
(a Stapled Group comprising CDL Hospitality Real Estate
Investment Trust and CDL Hospitality Business Trust)

C/O The Unit Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Affix
Stamp Here

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CORPORATE DIRECTORY

CDL HOSPITALITY TRUSTS

A Stapled Group comprising H-REIT, a real estate investment trust, and HBT, a business trust

MANAGER OF H-REIT

M&C REIT Management Limited

(Co. Reg. No. 200607091Z)

Registered Address:

9 Raffles Place
#12-01 Republic Plaza
Singapore 048619
Telephone: (65) 6877 8228
Facsimile: (65) 6225 4959

Office Address:

390 Havelock Road
#02-05 King's Centre
Singapore 169662
Telephone: (65) 6664 8888
Facsimile: (65) 6732 2868
Email: enquiries@cdlht.com
Website: www.cdlht.com

TRUSTEE-MANAGER OF HBT

M&C Business Trust Management Limited

(Co. Reg. No. 200607118H)

Registered Address:

9 Raffles Place
#12-01 Republic Plaza
Singapore 048619
Telephone: (65) 6877 8228
Facsimile: (65) 6225 4959

Office Address:

390 Havelock Road
#02-05 King's Centre
Singapore 169662
Telephone: (65) 6664 8888
Facsimile: (65) 6732 2868
Email: enquiries@cdlht.com
Website: www.cdlht.com

DIRECTORS OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Chan Soon Hee, Eric

Chairman and Non-Executive Director

Vincent Yeo Wee Eng

Chief Executive Officer and Executive Director

Foo Say Mui (Bill)

Lead Independent Director

Ronald Seah Lim Siang

Independent Non-Executive Director

Kenny Kim

Independent Non-Executive Director

Cheah Sui Ling

Independent Non-Executive Director

AUDIT AND RISK COMMITTEE OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Foo Say Mui (Bill) (Chairman)

Ronald Seah Lim Siang

Kenny Kim

NOMINATING AND REMUNERATION COMMITTEE OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Ronald Seah Lim Siang (Chairman)

Foo Say Mui (Bill)

Cheah Sui Ling

TRUSTEE OF H-REIT

DBS Trustee Limited

12 Marina Boulevard
Level 44 DBS Asia Central
Marina Bay Financial Centre Tower 3
Singapore 018982
Telephone: (65) 6878 8888
Facsimile: (65) 6878 3977

AUDITORS

KPMG LLP

Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Telephone: (65) 6213 3388
Facsimile: (65) 6225 4142
(Partner-in-charge: Lo Mun Wai,
appointment commenced from the audit of
the financial statements for the year ended
31 December 2016)

UNIT REGISTRAR

M & C Services Private Limited

112 Robinson Road #05-01
Singapore 068902
Telephone: (65) 6227 6660
Facsimile: (65) 6225 1452
Email: shareregistry@mncsingapore.com

LEGAL ADVISER

Allen & Gledhill LLP

One Marina Boulevard #28-00
Singapore 018989
Telephone: (65) 6890 7188
Facsimile: (65) 6327 3800

COMPANY SECRETARIES OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Enid Ling Peek Fong

Soo Lai Sun



CDL HOSPITALITY TRUSTS

M&C REIT MANAGEMENT LIMITED

(As Manager of CDL Hospitality Real Estate Investment Trust)
and

M&C BUSINESS TRUST MANAGEMENT LIMITED

(As Trustee-Manager of CDL Hospitality Business Trust)

390 Havelock Road
#02-05 King's Centre
Singapore 169662

Tel (65) 6664 8888
Fax (65) 6732 2868